DECISIONS

OF THE

RAILROAD COMMISSION

OF THE

STATE OF CALIFORNIA

VOLUME XIX

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CALIFORNIA RAILROAD COMMISSION DECISIONS.

UNIV. OF CALIFORNIA

DECISION No. 8311.

IN THE MATTER OF THE APPLICATION OF GUERNEWOOD PARK DEVELOPMENT COMPANY FOR THE EQUALIZATION, ADJUSTMENT AND ESTABLISHMENT OF WATER RATES TO CONSUMERS AT GUERNEVILLE, SONOMA COUNTY, CALIFORNIA, AND ADJACENT TERRITORY.

Application No. 5471.

Decided November 5, 1920.

A. F. Lemberger, for Applicant.

Mrs. A. M. Cobb, Lee R. Boland, Mrs. W. N. Holbert and *Mrs. R. E. L. Jewett*, for protesting water users.

BY THE COMMISSION.

OPINION.

Guernewood Park Development Company, applicant herein, asks for an order establishing rates for water delivered to consumers in the town of Guerneville and in the adjacent territory, including the summer resort known as Guernewood Heights and McLane Heights.

It appears that Guernewood Park Development Company was incorporated July 1, 1918, for the purpose, among other things, of acquiring and operating the public utility properties supplying said territory. The prior owners of this system had never filed rates with the Railroad Commission, nor had they filed the annual reports of the operations of this utility, as required by law, though the rates in effect at the present time are those which were arbitrarily established and put in effect by them, and are as follows:

Permanent—	
Residences:	
Per month (minimum)	$1 00
Each fixture (additional)	50
Hotels:	
All months except June, July, August and September, per month	5 00
June, July, August and September, per month	7 50
Restaurants:	
Per month	2 00
Intermittent—	
Per year	5 00
Each fixture (additional)	50

It is alleged that the present rates in effect are inequitable and disproportionate to the use of water, wherefore applicant asks the Commission to issue an order establishing just and equitable rates for water delivered to its various consumers.

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A public hearing was held at Guerneville on June 9, 1920, of which all interested parties were notified and given an opportunity to appear and be heard.

It was brought out in the testimony that this utility is now owned and controlled by the same interests which own and operate Mount Jackson Water and Power Company, Russian River Heights Water Company and Russian River Water Company, public utilities supplying summer resorts in this vicinity. The four utilities are managed and operated jointly and by means of certain pipe connections have recently been consolidated into two operating districts, thereby rendering improved service. Further, it was developed that there is a movement on foot to make application to the Commission for authority to transfer the properties of all of said companies to the Russian River Water Company.

In this proceeding there has been some evidence introduced with relation to poor service in the past seasons. It appears, however, that this condition has been improved by a connection with the new pumping unit recently installed by the Russian River Water Company.

Mr. H. A. Noble, one of the Commission's hydraulic engineers, submitted an inventory and appraisal of the physical properties showing the estimated cost as $14,329 and the depreciation annuity computed on a sinking fund basis as $231.70. No appraisal was submitted by applicant.

The maintenance and operation expenses for the year 1919 totaled $1,992.43. Allowing for certain increased costs of labor and electric power, it is estimated that future maintenance and operation expenses will approximate $2,245 annually. The revenue from the sale of water in 1919 amounted to $2,337.75.

The records show that in June, 1920, there were 200 consumers of which 96 were permanent and 104 maintained a temporary residence in the summer resort, occupying the same and using water mainly during the summer months. It is necessary for applicant to maintain a water system capable of supplying its maximum capacity at all times, though the greater number of consumers may only reside in this territory during a short period each year and require actual service only during that time.

It is evident that the present rates in effect are inadequate and insufficient to return to applicant the maintenance and operation expenses, a replacement fund and interest on the estimated cost. The rates shown in the accompanying order are designed to produce the necessary annual charges. The rates at present in effect for similar use by the several utilities heretofore mentioned as operated jointly by applicant,

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have been taken into consideration in arriving at the schedule set out in the following order:

ORDER.

Guernewood Park Development Company having made application to the Railroad Commission for the establishment of water rates, a public hearing having been held, and the Commission being fully advised in the premises:

It is hereby found as a fact that the present rate schedule of Guernewood Park Development Company, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by said company for water.

And basing its order upon the foregoing finding of fact, and the other statements of fact contained in the preceding opinion;

It is hereby ordered, that Guernewood Park Development Company be and it is hereby ordered and directed to file with this Commission within twenty (20) days from the date of this order, and thereafter charge, the following schedule of rates:

FLAT RATES.

Resort use—	
Minimum annual charge, payable in advance, which entitles consumer to a maximum of 400 cubic feet of water per month for four months	$14 00
For each additional month, which entitles the consumer to 400 cubic feet of water	1 00
Permanent residence use—	*Per month*
1. Residences and tenements of not more than 6 rooms occupied by single families with not over one bathtub and toilet	$1 25
For each additional room	10
For each additional bathtub or toilet	15
For each private barn, not more than two horses or cows	50
For each additional horse or cow	20
2. Sprinkling or irrigation of lawns, shrubbery or gardens when taken with water for household purposes, payable every month in the year, per square yard, $0.0025.	
3. Private boarding houses, for each roomer or boarder in addition to the family	15
4. Banks, grocery stores, hardware and general stores, billiard parlors, drug stores, bowling alleys, theaters and small stores or shops	1 25
5. Soda fountains, ice cream and lunch parlors, either alone or in connection with other business	1 50
6. Public garages, including water for washing cars, each automobile	50
Minimum payment	2 00
7. Restaurants, chop houses and cafes, per unit of seating capacity	15
8. Barber shops, for single chair	1 25
For each additional chair	50
9. Additional for each bathtub, toilet or urinal in 4 to 8, inclusive	50
10. Hotels, lodging houses, ice plants and all municipal or county use charged for at the metered rates.	
11. Building work:	
For mortar or to dampen brick, per 1000 bricks	30
For cement work or plastering each barrel of cement or lime used	20
12. Meters may be installed at the request of any consumer or at the option of the utility.	

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METERED RATES.

Resort use—

Minimum annual charge, payable in advance, which entitles the consumer to 400 cubic feet of water per month for four months	$14 00
All use during other months, 400 cubic feet or less	1 00
For use over 400 cubic feet: next 3600 cubic feet, per 100 cubic feet	20
Over 4000 cubic feet, per 100 cubic feet	15

Permanent residence use—

1. Monthly minimum payments for metered service:

For ¾-inch or ⅝-inch meters	$1 25
For 1-inch meter	2 00
For 1½-inch meter	2 75
For 2-inch meter	3 50

2. Monthly quantity rates:

For 400 cubic feet or less per month	$1 25
For use between 400 and 4000 cubic feet	20
For use over 4000 cubic feet	15

Dated at San Francisco, California, this fifth day of November, 1920.

DECISION NO. 8312.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA GRANTING IT A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE BY IT OF THE RIGHTS AND PRIVILEGES CONFERRED UPON IT UNDER THE FRANCHISE GRANTED IT BY THE BOARD OF TRUSTEES OF THE CITY OF AVALON BY ORDINANCE NUMBER ONE HUNDRED AND NINE ON JULY 30, 1920.

Application No. 6172.

Decided November 5, 1920.

H. D. Pillsbury, for Applicant.

LOVELAND, *Commisioner.*

OPINION.

In this proceeding, The Pacific Telephone and Telegraph Company is seeking an order of the Railroad Commission declaring that the public convenience and necessity require the exercise by it of the rights and privileges conferred upon it by ordinance No. 109, adopted and approved July 30, 1920, by the board of trustees of the city of Avalon, entitled "An ordinance granting to The Pacific Telephone and Telegraph Company, its successors and assigns, the franchise, right and privilege, for the period of fifty years, to erect and maintain poles and pole lines, with or without crossarms or brackets, and to string and maintain wires thereon and to dig and build conduits with necessary manholes, and to lay and install therein wires and cables, and to construct, erect, install and maintain a telephone system and plant over, along and under the streets, alleys, public places and thoroughfares of the city of Avalon, State of California, now or hereafter established,

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for the purpose of conducting and carrying on local telephone service and for transmitting telegraph messages and for the carrying on of a general telephone and telegraph business."

A public hearing was held on this application in San Francisco on October 28, 1920.

The ordinance herein referred to, a copy of which is attached to the application as Exhibit "B," provides, among other things, for a payment of two per cent of the gross annual receipts arising out of the use of the franchise after the first five years, and the usual regulations with reference to the placing of poles, wires, etc., subject to the police powers of the city when those powers are not in conflict with state laws and with the orders of the Railroad Commission with reference to standards of construction required, etc. The franchise is for a term of fifty years and is not exclusive.

The application sets forth that the consideration given for the granting of the franchise is $200. Applicant has stated that this consideration covers the entire cost of the franchise except that the franchise itself provides for the payment of two per cent of the gross annual receipts, as hereinabove set forth. Applicant also states that it has already installed a central telephone exchange in the city of Avalon and has fifty-two subscribers connected with its system. It states further that there are no other utilities operating in the said city with which it is likely to compete.

I suggest the following form of order:

ORDER.

The Pacific Telephone and Telegraph Company having applied to the Railroad Commission for a certificate of public convenience and necessity authorizing it to exercise the rights and privileges granted it under ordinance No. 109 by the city of Avalon, adopted and approved July 30, 1920, a hearing having been held, and it appearing to the Railroad Commission that public convenience and necessity require the construction and operation of the telephone plant and system therein provided for, and that there are no other public utilities of like character at present operating within the territory involved in this proceeding:

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by The Pacific Telephone and Telegraph Company of the rights and privileges conferred upon it by the ordinance hereinbefore described; provided, that neither the applicant herein, its successors or assigns, shall ever claim before this Commission or any other public body a value for said franchise for rate fixing or other purposes in excess of $200, the

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amount actually paid to the city of Avalon as the consideration for the granting of such franchise, as set forth in the opinion preceding this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of November, 1920.

DECISION No. 8314.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE EXECUTION OF A COLLATERAL TRUST AGREEMENT, THE ISSUE AND SALE OF TWO MILLION SIX HUNDRED TWENTY-FIVE THOUSAND DOLLARS OF COLLATERAL TRUST BONDS AND THE ISSUE OF TWO MILLION SIX HUNDRED TWENTY-FIVE THOUSAND DOLLARS OF FIRST AND REFUNDING BONDS.

Application No. 6146.

Decided November 6, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8264, dated October 21, 1920, authorized San Joaquin Light and Power Corporation to issue and sell $2,625,000 of series "D" fifteen-year 8 per cent convertible collateral trust bonds, and secure the payment of said bonds by the deposit of $2,625,000 of Series "C" 6 per cent first and refunding bonds, subject, among others, to the condition that no collateral trust bonds be issued and delivered until the Commission, by supplemental order, has authorized applicant to execute an agreement securing the payment of the collateral trust bonds; and

Whereas, applicant on November 5 filed with the Commission a copy of the proposed trust agreement which, among other things, provides for an authorized issue of $5,000,000 of collateral trust bonds, the payment of which is to be secured by a like amount of applicant's first and refunding bonds, and the return to applicant of said first and refunding bonds as collateral trust bonds are paid, and further provides for the issue forthwith of $2,625,000 of collateral trust bonds authorized by the Commission in Decision No. 8264, dated October 21, 1920, and the Commission being of the opinion that applicant should be authorized to execute a trust agreement as herein permitted: now, therefore,

It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to execute a trust agreement substantially in the same form as the trust agreement filed in this proceeding on

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November 5; provided, that the approval herein given of said trust agreement is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust agreement as to such other legal requirements to which said trust agreement may be subject; and provided, further, that only such an amount of the $2,625,000 of collateral trust bonds authorized to be issued by Decision No. 8264, dated October 21, 1920, be forthwith issued, as may be equal in face value to the first and refunding bonds forthwith deposited with the trustee under the trust agreement herein authorized to be executed. The remainder of said $2,625,000 of collateral trust bonds may be issued on or before March 1, 1921, as additional first and refunding bonds are deposited with the trustee, in accordance with the terms of said trust agreement.

It is hereby further ordered, that the order in Decision No. 8264, dated October 21, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this sixth day of November, 1920.

DECISION No. 8315.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING APPLICANT TO ISSUE, SELL AND DELIVER ITS FIRST PREFERRED CAPITAL STOCK OF THE PAR VALUE OF FIVE MILLION DOLLARS AND USE THE PROCEEDS FROM THE SALE OF THE SAID FIRST PREFERRED CAPITAL STOCK IN THE MANNER AND PURPOSES DESCRIBED IN SAID APPLICATION.

Application No. 6229.

Decided November 6, 1920.

Wm. B. Bosley, and *C. P. Cutten,* by *C. P. Cutten,* for Applicant.

DEVLIN, *Commissioner.*

OPINION.

Pacific Gas and Electric Company asks permission to issue, at not less than $80 per share, 50,000 shares ($5,000,000) of its first preferred 6 per cent capital stock and use the proceeds to pay in part for the improvements set forth in Exhibit "D" attached to the second supplemental petition in Application No. 5598.

In said Exhibit "D" applicant reports estimated expenditures of $7,666,581.75. Applicant has heretofore been permitted to issue and sell securities by which it has obtained, or expects to obtain, a total of $2,302,279.35, with which to pay in part for the improvements referred to in said Exhibit "D."

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After using the $2,302,279.35 for the purposes indicated, there remains a balance of $5,364,302.40 of estimated construction expenditures against which this Commission has not authorized the issue of stock or bonds. Applicant asks permission to use the proceeds from the sale of the $5,000,000 of preferred stock to pay in part for the plant extensions, additions and betterments described in Exhibit "D" attached to the supplemental petition in Application No. 5598.

I herewith submit the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for authority to issue $5,000,000 of preferred stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant and that the purposes for which said expenditures may be made are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Pacific Gas and Electric Company be and it is hereby authorized to issue and sell for cash, at not less than $80 per share, on or before March 31, 1921, $5,000,000 of its first preferred capital stock.

The authority herein granted is subject to further conditions as follows:

1. The proceeds obtained from the sale of the stock shall be used by Pacific Gas and Electric Company to pay in part such cost of plant extensions, additions and betterments set forth in Exhibit "D," attached to the second supplemental petition in Application No. 5598, as are properly chargeable to capital account under the uniform system of accounts prescribed by the Railroad Commission.

2. Pacific Gas and Electric Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of November, 1920.

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DECISION NO. 8323.

ASSOCIATED JOBBERS OF LOS ANGELES
vs.
ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY ET AL.
Case No. 620.

SAN FRANCISCO CHAMBER OF COMMERCE
vs.
SOUTHERN PACIFIC COMPANY ET AL.
Case No. 636.

SAN FRANCISCO CHAMBER OF COMMERCE
vs.
ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY ET AL.
Case No. 640.

CALIFORNIA FRUIT CANNERS ASSOCIATION
vs.
SOUTHERN PACIFIC COMPANY ET AL.
Case No. 688.

CLARK BROTHERS LUMBER COMPANY
vs.
SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY.
Case No. 690.

BISHOP AND BAHLER
vs.
SOUTHERN PACIFIC COMPANY ET AL.
Case No. 704.

PACIFIC BRANDY COMPANY
vs.
SOUTHERN PACIFIC COMPANY.
Case No. 717.

MERCHANTS AND MANUFACTURERS TRAFFIC ASSOCIATION OF SACRAMENTO
vs.
SOUTHERN PACIFIC COMPANY ET AL.
Case No. 723.

UNITED STATES STEEL PRODUCTS COMPANY
vs.
SOUTHERN PACIFIC COMPANY ET AL.
Case No. 729.

BARTLETT SPRINGS COMPANY
vs.
ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY ET AL.
Case No. 786.

COLUSA SANDSTONE COMPANY, RAYMOND GRANITE COMPANY
vs.
SOUTHERN PACIFIC COMPANY.
Case No. 837.

LOS ANGELES PRESSED BRICK COMPANY
vs.
SOUTHERN PACIFIC COMPANY ET AL.
Case No. 852.

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OMEN OIL COMPANY
vs.
ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY ET AL.

Case No. 853.

Decided November 8, 1920.

SWITCHING CHARGES—REASONABLENESS OF—REPARATION OF AMOUNTS COLLECTED FOR.—While not passing upon the reasonableness of switching charges to industry spurs as originally established, it is held that the growth of such business has materially aided carriers in relieving congestion at terminal points, and while such a charge may have been justifiable in the past, if it has subsequently become unjust, the particular time cannot be determined, which, in addition to admission of complainants that the charge was regarded as other transportation costs and as part of the expense of doing business, and added to the sale cost of the commodity affected, it would be impossible to distribute reparation for such payments.

SWITCHING CHARGES—NORTHWESTERN PACIFIC RAILROAD—TERMINAL FACILITIES OF.—The fact that the Northwestern Pacific Railroad has made San Francisco its terminal, and employs the State Belt Railroad as its agent in making deliveries in said city, is not sufficient justification for making deliveries to its team tracks at line haul rates and to industry spurs at line haul rates plus the switching charge of the Belt Railroad.

Defendants having filed tariffs eliminating switching charges, petitions for award of reparation of charges heretofore collected are dismissed and Northwestern Pacific Railroad Company directed to file within sixty days tariffs removing the discrimination at present existing at San Francisco against shippers receiving and forwarding Northwestern Pacific Line haul freight by arranging for the absorption of Belt Railroad switching charges to and from industry tracks located on Belt Railroad within the switching zone.

F. P. Gregson, for Associated Jobbers of Los Angeles, Complainant.

Seth Mann, for San Francisco Chamber of Commerce, Complainant.

C. W. Durbrow, for Southern Pacific Company and Northwestern Pacific Railroad Company, Defendants,

E. W. Camp, for Atchison, Topeka and Santa Fe Railway Company, Defendant.

Allan P. Matthew, for Western Pacific Railway Company, Defendant.

A. S. Halsted, for San Pedro, Los Angeles and Salt Lake Railroad Company, Defendant.

J. G. Melvin, for California Fruit Canners Association, Complainant.

Fred L. Gibson, for Clark Brothers, Complainants.

Haven and Athearn, for Bishop and Bahler, Complainants.

George J. Bradley, for Merchants and Manufacturers Traffic Association of Sacramento, Complainant.

Campbell, Weaver, Shelton and Levy, for United States Steel Products Company, Complainant.

Frank V. Bell, for Bartlett Springs Company and Omen Oil Company, Complainants.

Charles Clifford, for Colusa Sandstone Company, Raymond Granite Company and Los Angeles Pressed Brick Company, Complainants.

J. D. Reardon, for Union Oil Company, Intervener.

James E. Helpling, for C. J. Kubach Company et al., Interveners.

S. E. Semple, for Stockton Chamber of Commerce.

F. M. Hill, for Fresno Traffic Association.

W. D. Wall, for San Jose Chamber of Commerce.

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LOVELAND, *Commissioner.*

OPINION.

These cases were consolidated by stipulation of the parties and will be disposed of in one report.

The complaints, in substance, allege that the practice of defendant carriers in collecting switching charge of $2.50 per car for placement on private sidings and on industry tracks within switching limits at different points in the State of California when the terminal service is performed by the carrier receiving the line haul is unlawful, unreasonable, unjust, discriminatory and in violation of the Public Utilities Act, particularly sections 13 and 19 thereof. It is also alleged that defendants receiving the line haul should absorb the charge of $2.50 per car assessed by the State Belt Railroad, hereinafter referred to as the Belt Railroad, for moving cars to and from industry tracks located on the rails of that line at San Francisco. Reparation is asked for on all shipments moved within two years prior to the filing of the complaints.

The first of these petitions, that of the Associated Jobbers of Los Angeles, Case No. 620, was filed June 23, 1914, and embraces the claims of shippers located in and around the city of Los Angeles. The petition of the San Francisco Chamber of Commerce, Case No. 636, was filed July 7, 1914, against the Southern Pacific Company, Atchison, Topeka and Santa Fe Railway Company and Western Pacific Railway Company and is confined to claims of its members and others located at San Francisco. Case No. 640, filed July 11, 1914, includes the same defendants as Case No. 636 and also the Northwestern Pacific Railroad Company, Pacific Electric Railway Company and the San Pedro, Los Angeles and Salt Lake Railroad Company, and covers claims for reparation of members of the San Francisco Chamber of Commerce, also firms and organizations not members of that body, whether located at San Francisco or elsewhere.

The other cases were filed on subsequent dates and the principle involved, except with reference to the Northwestern Pacific, is in each case identical.

The following petitions in intervention were received:

Names of Interveners.	Case No.
Riverside Portland Cement Company	620
The Barber-Bradley Construction Company	620
Weaver Roof Company	620
D. D. Duncan and Company	620
California Hardwood Lumber Company	620
Bryant and Austin	620
C. J. Kubach Company	620
Fidelity Storage and Moving Company	620
Commercial Warehouse Corporation	620

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Los Angeles Warehouse Company 620
Hipolite Screen and Sash Company 620
Union Oil Company of California 620
C. W. Bohnhoff 620
Pacific Portland Cement Company 636
California Building Material Company 636
Baker and Hamilton 636
Standard Oil Company et al. 640
H. U. Jaudin and Company et al. 640
City and County of San Francisco 640
Italian-Swiss Colony et al. 640
C. A. Smith Lumber Company et al. 640
C. Shilling and Company et al. 640
J. E. Lennon Lime and Cement Company 640
Pope and Talbot 640

On June 29, 1914, this Commission, upon its own initiative, Case No. 630, instituted proceedings against the Southern Pacific Company, Atchison, Topeka and Santa Fe Railway Company, Western Pacific Railway Company and San Pedro, Los Angeles and Salt Lake Railroad Company, calling into question the practice of assessing switching charges on carload freight to and from industry tracks or private sidings when incidental to a line haul of the carrier performing the switching service.

When this proceeding was instituted the Terminal Tariff of Southern Pacific Company, No. 230–G, C. R. C. No. 1260, provided in item 207, on page 39, as follows:

Station	Between	and	Commodity	Rate per car
San Francisco	Depot at Fourth and King Streets	Industry tracks and private sidings within switching limits, as defined in item No. 272 on page 45, including industrial tracks at Sixteenth and Harrison streets, "Potrero Cut," and industries on joint track at Illinois street.	Freight, not otherwise specified—carloads originating at or destined to points on or via the lines of the Southern Pacific Company beyond San Francisco.	$2 50

Similar items, shown in tariff, cover the same service at other stations.

The item was amended August 12, 1914, to read, "Will not apply on interstate traffic." It was cancelled in its entirety April 1, 1915, thus leaving no switching charges in effect to industry tracks, either interstate or intrastate, when incidental to a main-line haul. Concurrently, provisions were made in item No. 20–B, page 7 of the same Southern Pacific tariff, for the absorption in connection with line haul traffic of the charges on loaded cars received or delivered on industry tracks or private sidings served by the Belt Railroad at San Francisco.

Tariffs of other defendants carried practically the same provisions

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as those of the Southern Pacific Company and were likewise amended April 1, 1915, with the exception of the tariff of the Northwestern Pacific Railroad Company.

The Commission's proceeding in Case No. 630 was dismissed without a formal hearing after the Southern Pacific Company, The Atchison, Topeka and Santa Fe Railway Company, Western Pacific Railway Company and San Pedro, Los Angeles and Salt Lake Railroad Company had informally agreed to file tariffs cancelling the switching charges at practically all stations.

Originally all freight was delivered by rail carriers to the sheds or team tracks, where they had provided facilities for completing the act of transportation by making deliveries to consignees.

With the increase of carload business incidental to the growth and development of jobbing and manufacturing interests came the necessity for spur or industry tracks. Such added facilities served a twofold purpose; first, they enabled the jobbers and manufacturers to unload their freight at the store or warehouse door, thereby saving drayage expense; and, second, they often relieved congestion at carriers' regular terminals.

Upon the theory that rates from points of origin to points of destination were reasonable, the second movement to a spur or industry track was considered an additional service performed primarily for the benefit of the receivers of freight and an additional charge was made therefor.

For a quarter of a century rail carriers serving Pacific Coast terminals charged and collected, in addition to the amount of their line haul, what was known as a switching charge on shipments destined to spur or industry tracks. On shipments destined to the freight sheds or team tracks only the regular line haul rate was imposed.

It may well be that at the beginning or inception of a switching charge thus originating, it was a proper charge, providing, of course, it was reasonable in amount and applied without discrimination. Just when such additional charge became unreasonable it is, of course, impossible to say definitely. Even if the claim that increased volume of traffic is a justification for lower rates be not conceded, it cannot be denied that such increase in density of traffic does affect the carriers' terminal facilities and, therefore, multiplies the importance of spur and industry tracks to carriers in relieving such congestion. In recognition of this, carriers have encouraged the construction of spur and industry tracks by sharing in the expense of such construction, not in my judgment alone, as they sometimes claim, because the installation of such additional tracks "ties business to their rails," but also because such tracks are in reality an addition to their terminal facilities.

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So the charge for switching service originated and so also with the growth and development of the jobbing, manufacturing and transportation business there came a time when the reasonableness of making an additional charge for this service was questioned.

After extensive and prolonged negotiations between the carriers and the shippers, looking to an amicable elimination of the additional charge for switching to industry and private spur tracks, had failed, the matter was brought before the Interstate Commerce Commission in the case of the *Associated Jobbers of Los Angeles* vs. *Atchison, Topeka and Santa Fe Railway Company,* volume 18, page 310, Interstate Commerce Commission Reports, heard by Commissioner Franklin K. Lane. The case was decided April 5, 1910, Mr. Lane holding that the additional charge for switching, when incidental to a line-haul movement, was "illegal and unjust." The carriers, parties to the case, appealed to the Interstate Commerce Court, which court on July 20, 1911, reversed the decision of the Interstate Commerce Commission. An appeal was then taken by complainant to the Supreme Court of the United States and on June 8, 1914 (234 U. S. 294) that court handed down its decision reversing the Interstate Commerce Court and sustaining the decision of the Interstate Commerce Commission as rendered by Mr. Lane. Pursuant to this decision, carriers cancelled the interstate switching charge at San Francisco and Los Angeles effective August 12, 1914, and on April 1, 1915, voluntarily removed the switching charge at all other stations, making the effect of such changes as to interstate traffic retroactive to August 12, 1914, through informal reparation proceedings.

I have quoted the history of the case of the *Associated Jobbers of Los Angeles* vs. *Atchison, Topeka and Santa Fe Railway Company* thus fully to preface that which follows as an expression of my opinion in the cases at bar. In the case before Mr. Lane no reparation was asked. In the later cases of *Boardman* vs. *Southern Pacific Company,* 37 I. C. C. 81, and *Hulme and Hart* vs. *Atchison, Topeka and Santa Fe Railway Company,* 46 I. C. C. 665, where reparation of the switching charges was asked, the Interstate Commerce Commission found justification for saying that reparation should not be awarded.

Now, as to whether this Commission should award reparation in the cases under consideration, section 71 of the Public Utilities Act of California says, in part:

> When complaint has been made to the Commission concerning any rate, fare, toll, rental or charge for any product or commodity furnished or service performed by any public utility, and the Commission has found, after investigation, that the public utility has charged an excessive or discriminatory amount for such product, commodity or service, the Commission may order that the public utility make due reparation to the complainant therefor, with interest from the date of collection; provided no discrimination will result from such reparation.

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I take that to mean that the act is permissible and not mandatory. In other words, that this Commission may consider all of the circumstances of the case, and while not interfering with the rights of shippers, if any such rights exist, to present their claims in the courts may, for reasons found in the circumstances of the case, decline to award reparation.

As has been said before, the making of a reasonable additional charge for an additional service may have been justified in the past; if it subsequently became unjust the particular time cannot be determined.

Complainants transacted their business with a full knowledge of the existing freight rates, which, without substantial changes, remained in effect for more than a quarter of a century, and the reasonableness of the practice and the $2.50 charge on intrastate movements was not, so far as I know, called into question before any court or commission until the commencement of these cases.

It is common knowledge that for a generation business was done in the manner indicated, by the application of an additional charge for what was considered the additional service.

There is no affirmative testimony in the record that shippers who paid this switching charge added it to the cost of their merchandise, but there is testimony to the effect that they were prevented by the competition of others located in towns or cities where this additional charge was not made from adding it in all cases, witnesses for complainants admitting that jobbers and manufacturers regarded it, as they did freight charges, taxes, insurances, rent, etc., part of the expense of doing business. To the extent that the additional charge was so treated by jobbers, manufacturers and retailers, the ultimate consumer unquestionably paid it and it would be impossible to distribute reparation for such payments.

As heretofore stated, defendants filed tariffs, effective April 1, 1915, cancelling the charge for deliveries of intrastate carload consignments to and from industry tracks and, with the exception of the Northwestern Pacific Railroad Company, arranged for the absorption of the Belt Railroad charge of $2.50 per car at San Francisco. They also, in order to place intrastate traffic on an equality with interstate traffic, refunded all charges collected subsequent to August 12, 1914, the date upon which the switching charge was cancelled on interstate traffic at San Francisco and Los Angeles, in compliance with the Supreme Court decision.

The Interstate Commerce Commission said, *In re National Wool Growers Association* vs. *Oregon Short Line Railroad Company et al.*, 25 I. C. C. 675-677:

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There is no exact standard by which the reasonableness of a rate can be measured. While there are many facts capable of precise determination which bear upon that question, the final answer is a matter of judgment. The traffic official who establishes the rate exercises his judgment in the first instance, and the Commission when it revises that rate substitutes its judgment for that of the traffic official. With varying conditions the reasonableness of a rate itself may vary, so that the rate which is reasonable today may be unreasonable tomorrow.

Consider the rates involved in this proceeding, namely, those on wool from far western points of production to eastern destinations. These rates were established many years ago. When established all the incidents of transportation in that country were different from what they are now. The railroads themselves were much less substantial. Traffic was nothing like as dense. In the period elapsing between the establishment of these rates by the carriers and the decision of this case by the Commission almost every condition which bears upon the reasonableness of a transportation charge by rail has undergone a transformation. It may well be that the rates were entirely reasonable when established, although unreasonable when the opinion of the Commision was promulgated.

Again, in the Boardman and Company case, *supra*, at page 86:

When carriers have reduced rates of their own volition or in compliance with the Commission's orders it does not necessarily follow that reparation should be awarded on shipments which moved under the preexisting rates. The Commission has frequently declined to award reparation when the rates reduced have been in effect for long periods and the reduction applied throughout a large territory and affected shippers at many points who were not parties to the proceedings.

I think the principles set forth in the cited decisions should govern in these cases and am of the opinion that complainants have not established a lawful right to reparation and that the cases should be dismissed.

The alleged unlawful, unjust and discriminatory practice of the Northwestern in requiring shippers taking delivery on industry tracks of the Belt Railroad to pay the charges of that carrier and the claims for reparation against the Northwestern remain for consideration.

The Belt Railroad is the property of the State of California and is operated by a Board of Harbor Commissioners. It performs all service at points located on its rails and also the team and house tracks of this defendant.

The Northwestern, in San Francisco, has only team tracks and terminal facilities located on property leased from the State of California in the district adjacent to Vallejo and Davis streets about 2000 feet from the car ferry docks. The tracks between these terminal lands and the docks are owned and operated by the Belt Railroad. No switching charges are assessed by the Northwestern against consignor or consignee on shipments to its team tracks, but the Northwestern does compensate the Belt Road for the service between docks and team and house tracks in its yards on the basis of $2.50 for each loaded or partially loaded car moved; in other words, the Belt Railroad receives this compensation either in the case of carload shipments handled on the Northwestern's public team tracks or on cars of miscellaneous less-than-carload freight passing over station platform. A like service is rendered by the Belt

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Railroad to its industry tracks and a charge of $2.50 per car is paid by the shipper. No question as to the amount charged for the service is involved. The question is whether this defendant is, under the law, obliged to absorb the terminal charges to the industry tracks located on the Belt Railroad. The Belt Railroad is not a party to the Northwestern tariffs carrying the main-line rates and no provisions are made for any absorption.

Testimony of complainant's witnesses and the argument of its attorneys are to the effect that absorption by the Northwestern of the Belt Railroad charges to the Northwestern's team and house tracks and the nonabsorption of similar charges to industry tracks on the Belt Railroad is discriminatory, unjust and unlawful. Team track delivery is a necessary service rendered by carriers in receiving and delivering carload freight and must be provided by the line carrier in some manner. In the instant case, the Northwestern having no access to terminal grounds in San Francisco over its own tracks is compelled to employ the service of the Belt Railroad to handle a traffic which under ordinary conditions it would render with its own equipment. We thus have two separate services to be considered, one consisting of the switching between the dock and industry tracks by the Belt Road of line-haul traffic originating at or destined to points on the Northwestern Pacific, the other being that by which the Northwestern, through its operating agency, the Belt Road, moves loaded cars containing both carload and less-than-carload freight between the same dock and its (the Northwestern Pacific) depot or team tracks. In the latter case there is no absorption in the accustomed sense of the word, but simply an item of operating expense. The means employed by the Northwestern in reaching its terminal grounds and the separate expense of $2.50 per car incurred by it are not of importance to the shipping public, and the through rates in and of themselves have not been called into question.

The Northwestern does not to any considerable extent operate in territory competitive at San Francisco with the Southern Pacific, Atchison, Topeka and Santa Fe, and Western Pacific, and has not found it necessary, as have these carriers, to absorb the switching charges of the Belt Road to industry tracks. It, however, holds itself out to make San Francisco deliveries, and having accepted and employed the Belt Road to make the deliveries at the Northwestern team tracks, it has thereby made that carrier its delivering agent. The charge of the Belt Road for switching cars to the industry tracks on its own rails is exactly the same as for switching cars to the team, house or platform tracks located in the terminal yards of the Northwestern Pacific. The switching charge against carload traffic delivered to the team tracks is absorbed by the Northwestern Pacific; in other words, the line-haul

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rate covers this delivery, whereas a charge in addition to the line-haul rate is assessed and collected when like carload traffic is delivered to industry tracks located on the Belt Railroad within the same industrial zone. The cost to the Northwestern Pacific per car would be no greater in making deliveries to industry tracks than it now assumes in making the deliveries to the team tracks.

If this defendant could operate freight trains direct to the San Francisco terminal and to the same industry tracks now served by the Belt Railroad, it certainly could not be argued that a charge in addition to the line-haul rates for the deliveries on industry tracks within the switching limits would be a just and reasonable charge.

The Northwestern Pacific has elected to make San Francisco its terminal and employs the Belt Railroad as its agent in moving the traffic in that city. It therefore appears that a discrimination exists between the shippers taking deliveries on the team tracks at line-haul rates and those taking deliveries on industry tracks at line-haul rates plus the switching charge of the Belt Railroad.

I am of the opinion that the discrimination should be removed and the Northwestern Pacific is hereby required to present to this Commission within sixty (60) days from the date of this order a tariff arranging for the absorption of the Belt Railroad's charges to the industry tracks within the switching zone.

The testimony does not justify the awarding of reparation and, therefore, reparation is denied.

I submit the following form of order:

ORDER.

The above-entitled cases having come on regularly for hearing, and the Commission being duly apprised in the premises;

It is hereby ordered, that no reparation will be awarded against any of the defendants and that the complaints against all of the defendants except the Northwestern Pacific Railroad Company are hereby dismissed.

It is hereby further ordered, that the Northwestern Pacific Railroad Company within sixty (60) days from the date of this order remove the discrimination now existing at San Francisco against shippers receiving and forwarding Northwestern Pacific line-haul freight by filing a a tariff arranging for the absorption of the Belt Railroad switching charges to and from the industry tracks located on the rails of the Belt Railroad within the switching zone.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of November, 1920.

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DECISION NO. 8338.

IN THE MATTER OF THE APPLICATION OF PICKWICK STAGES, INCORPORATED, UNITED STAGES, INCORPORATED, AND WHITE STAR AUTO STAGES, FOR AN ORDER GRANTING PERMISSION TO INCREASE CERTAIN PASSENGER FARES ON ONE DAY'S NOTICE.

Application No. 6071.

Decided November 15, 1920.

AUTO STAGE LINES—RATE INCREASES—EVIDENCE REQUIRED.—Two or more stage transportation lines operating in separate territory under different conditions should not join in the same application to increase rates, particularly when the relief asked for is not the same. Secondly, tabulations of expenses and revenues for periods not of recent date are not satisfactory in a study of operating conditions as they do not fairly show the effect of increases or reductions nor the effect of seasonal travel or inclement weather.

It appearing that the increases asked for are essential to the maintenance of adequate service on lines of applicants, petition to increase rates granted.

H. W. Kidd and *Warren Libby*, for Pickwick Stages, Incorporated, and White Star Auto Stages.

S. W. Thompson, for United Stages, Incorporated.

Jess Stephens and *H. S. Payne*, for Board of Public Utilities of the city of Los Angeles.

BY THE COMMISSION.

OPINION.

Applicants join in requesting authority to increase passenger fares on their automobile stage lines between various points in southern California. They are each asking horizontal increases of substantially 15 per cent in all rates and are asking that rates in territory served by each shall be uniform and the same in amount as any rates which may be granted to Motor Transit Company under its Application No. 5897, in any territory served by either of applicants and Motor Transit Company.

Applicants join in the above application because they each serve between San Diego and El Centro via Coyote Wells. Each applicant states that the rates requested are designed to cover operating expenses without providing return upon investment.

A public hearing upon the application was held by Examiner Westover at Los Angeles.

Applicant, Pickwick Stages, Incorporated, operates lines between Los Angeles and San Diego via the Coast route; between Los Angeles and San Diego via Riverside, Perris and Fallbrook; between San Diego and El Centro via Coyote Wells; a separate line between San Diego and El Centro via Descanso; also a line between Brawley and Calexico through El Centro and a line between San Diego and Julian via Foster and Ramona.

At the hearing it presented exhibits showing for the period October 1, 1919 to May 31, 1920, gross revenue of $140,340.85 with operating expenses of $146,212.28, or an operating deficit of $5,871.42; that since

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beginning of the period cost of repairs and gasoline and oil have increased 30 per cent and tires and tubes 25 per cent, while rental of leased cars, drivers' wages and overhead expenses have increased 10 per cent. Applying these percentages and the 15 per cent increase in rates to gross revenue and operating expenses for the period referred to would indicate an operating deficit for the period in question of $564.24 when adjusted for errors in computation.

United Stages, Incorporated, operates a line between Los Angeles and Santa Barbara via Ventura; between Los Angeles and Oxnard via Newhall, Santa Paula and Saticoy; between Riverside and Blythe via Banning and Mecca; between Los Angeles and San Diego via Coast route; between San Diego and El Centro via Coyote Wells and a line between Niland and Calexico through El Centro.

The testimony shows for the six months period January 1 to June 30, 1920, revenue of $154,227.90 with operating expenses of $154,488.91, resulting in an operating deficit of $261.01 for the period. It also shows that since the beginning of the period the cost of repairs, gasoline, oil and tires have increased 30 per cent, rental of leased cars and drivers' wages 15 per cent, and overhead expenses 10 per cent. These percentages applied to operating costs for the period with a 15 per cent increase applied to the gross revenue, it shows by one of its exhibits, would have resulted in an operating deficit of $2,343.58 for the period.

White Star Auto Stages, operates a line between San Diego and El Centro via Coyote Wells. Its testimony showed for the eight months period October 1, 1919 to May 31, 1920, gross revenue of $30,210.58 with operating expenses for the period of $30,239.18, resulting in an operating deficit for the period of $28.60 with an increase of 10 per cent in operating costs for leased cars, drivers' wages and expenses.

Applying the 15 per cent increase requested to gross revenue, and the 10 per cent increase to operating expense for the period referred to, would have produced a net operating revenue of $1,479.08.

For the guidance of transportation companies who contemplate applying for increases or adjustment of rates in the future, we call attention to several particulars in which the present application and its presentation are unsatisfactory. In the first place the parties are not united in interest and are not seeking the same relief. They are operating in different territories by different methods and under somewhat different conditions. We consider it better practice for each applicant to file a separate application and make a separate showing. If the testimony in one is applicable to the other the Commission can arrange to set them for hearing together.

Secondly, tabulations showing revenue and operating expenses by lengthy periods not very recent are not wholly satisfactory in a critical

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study of operating conditions for the reason that such lengthy periods do not fairly show the effect of increases or reductions in operating expenses from time to time nor the effect of seasonal travel or of inclement weather. Operating results should be shown by months or by seasonal periods or by periods closely related to increases or decreases in operating expenses or in travel or revenue.

In this instance we are granting the increases sought because we are satisfied that a substantial emergency exists and that a denial of the application might result in decreased ability to properly serve the public. The rates as thus increased are generally speaking somewhat lower than corresponding rail rates in territories where both rail and stage carriers serve.

The rates applied for in the Los Angeles-Santa Barbara territory are the same as those authorized by Decision No. 8152 of September 25 upon application of Pickwick Stages, Northern Division, upon Application No. 6037.

ORDER.

Pickwick Stages, Incorporated, United Stages, Incorporated, and White Star Auto Stages having applied to the Railroad Commission for authority to increase their respective rates, a public hearing having been held upon said application and the Commission being fully advised in the premises;

It is hereby ordered, that said Pickwick Stages, Incorporated, United Stages, Incorporated, and White Star Auto Stages be and they are each respectively hereby authorized to establish on one day's notice by publication, posting and filing, with the Railroad Commission a new tariff of passenger fares as set forth in Exhibit "A" attached to and made part of the above Application No. 6071, except that rates between Los Angeles and San Diego and intermediate points shall be those authorized by the order upon Application No. 5897 of Motor Transit Company.

Dated at San Francisco, California, this fifteenth day of November, 1920.

DECISION NO. 8339.

IN THE MATTER OF THE PRACTICE OF THE SIERRA AND SAN FRANCISCO POWER COMPANY AS TO EXTENSIONS FOR ELECTRIC SERVICE, ON THE COMMISSION'S OWN MOTION.

Case No. 1317.

Decided November 15, 1920.

BY THE COMMISSION.

SUPPLEMENTAL OPINION AND ORDER.

On June 3, 1919, the Commission issued its Decision No. 6381 in this proceeding, whereby Sierra and San Francisco Power Company was

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ordered to make effective certain special rules and regulations applicable to electric service extensions by reason of its then existing financial condition.

On January 1, 1920, Pacific Gas and Electric Company leased the property and business of Sierra and San Francisco Power Company for a term of fifteen years, and, by virtue of the lease agreement, Pacific Gas and Electric Company's financial resources are made available for additions and betterments and extensions to the properties of Sierra and San Francisco Power Company.

On September 3, 1920, the Railroad Commission made its order to show cause why, under the changed conditions resulting from the lease, the special rules and regulations for electric service extensions ordered in its Decision No. 6381 should not be modified or revoked. Notice of said order to show cause was directed to Sierra and San Francisco Power Company and Pacific Gas and Electric Company, lessee, and to other interested parties, and a public hearing thereon was held before Commissioner Martin at San Francisco on September 23, 1920, at which time it was stipulated by Pacific Gas and Electric Company that it would extend the same rule to the territory it operates under lease from Sierra and San Francisco Power Company in respect to electric service extensions that it practices in its own territory. Sierra and San Francisco Power Company, being represented at this hearing, entered no protest or objection to this stipulation.

The rules and regulations of Pacific Gas and Electric Company as to electric service extensions in its own territory being acceptable to this Commission, and the Commission being of the opinion that these rules should be applied to the territory now served by Pacific Gas and Electric Company under lease from Sierra and San Francisco Power Company;

It is hereby ordered, that the rules and regulations applicable to electric service extensions for Sierra and San Francisco Power Company ordered in Decision No. 6381 of this Commission, dated June 3, 1919, be and the same are hereby cancelled.

It is hereby further ordered, that the rules and regulations for electric service extensions in the territory operated by Pacific Gas and Electric Company under lease from Sierra and San Francisco Power Company shall hereafter be the same as the rules and regulations of Pacific Gas and Electric Company.

Dated at San Francisco, California, this fifteenth day of November, 1920.

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DECISION No. 8340.

IN THE MATTER OF THE APPLICATION OF ADELAIDE RURAL TELEPHONE COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

Application No. 6021.

Decided November 15, 1920.

Webster and Lyon, by *Ray B. Lyon*, for Applicant.

BY THE COMMISSION.

OPINION.

Adelaide Rural Telephone Company asks permission to issue to G. N. Talbot $100 (100 shares) of its common capital stock in payment for property acquired from him.

The record shows that G. N. Talbot in November, 1919, constructed a spur line from applicant's main line on the Paso Robles-Cambria road to the Talbot ranch, such line being about one mile long and reported to have cost $100. In payment for this property, applicant, through inadvertence, issued $100 of its capital stock without an order of the Railroad Commission. Applicant asks permission to issue $100 of stock in lieu of the $100 of stock delivered to G. N. Talbot without an order from this Commission.

ORDER.

Adelaide Rural Telephone Company asks permission to issue to G. N. Commission for authority to issue stock, a public hearing having been held, and it appearing to the Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in the order and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Adelaide Rural Telephone Company be and it is hereby authorized to issue to G. N. Talbot on or before December 31, 1920, at par, $100 of its common capital stock in payment for property specified in the petition herein; provided, that—

(1) The stock herein authorized shall not be delivered until G. N. Talbot has returned to the company the $100 of stock heretofore delivered to him without an order from this Commission.

(2) Applicant keep such record of the issue and disposition of the stock herein authorized as will enable it within 30 days after the issue thereof to file a verified statement as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this fifteenth day of November, 1920.

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DECISION NO. 8341.

IN THE MATTER OF THE APPLICATION OF THE SAN DIEGO ELECTRIC RAILWAY COMPANY FOR AUTHORITY TO DISCONTINUE SERVICE AND SUSPEND OPERATION AND TO TAKE UP TRACKS ON PART OF ITS SYSTEM.

Application No. 5009.

Decided November 15, 1920.

STREET CAR SERVICE—ABANDONMENT OF.—Upon a showing that the street car service along Spruce street from Fifth to First and along First to Washington street has been operated at a deficit of $9,343 for the nine months period January to September, 1920, applicant granted permission to abandon the above service and remove its rails.

Read G. Dilworth, for Applicant.

S. J. Higgins, City Attorney, and *W. C. Earle*, Consulting City Engineer, for the City of San Diego.

D. R. Essry, for the City of Coronado.

E. T. Lannon, in propria persona.

LOVELAND, *Commissioner.*

OPINION.

In a supplemental application filed October 4, 1920, applicant herein requests an order of the Railroad Commission granting authority to discontinue the operation of its street car line, operating from First and Washington to Fifth and Spruce streets, San Diego, and to take up its tracks comprising such line.

The original application, filed September 29, 1919, requested authority to abandon and discontinue operation on a number of lines in the cities of San Diego and East San Diego and in the county of San Diego, and Decision No. 6836 on Applications Nos. 3808 and 5009, as decided November 14, 1919, denied authority for abandonment of service and the taking up of tracks on the lines requested, requiring the company to submit further proof that the abandonments requested were justified. Applicant has kept detailed record of receipts and expenditures covering the operation of the so-called No. 13 line extending from the intersection of Fifth and Spruce streets westerly on Spruce street to the intersection of First and Spruce streets and thence northerly on First street to its intersection with Washington street.

Exhibits filed by the applicant show the total revenue derived from the operation of line No. 13 for the period January to September, 1920, inclusive, as $12,653. The expense of operation during the same period is $14,921.50, to which should be added the items of depreciation and taxes amounting to $7,074.44, making a total expense for the operation of this line of $21,995.94 or a deficit from operation of $9,342.94. The operation of the entire system of the San Diego Electric Railway Company for the period has resulted in a deficit amounting to $54,420.42.

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The line proposed to be abandoned serves a community that has available other street car service operating on Fifth street and such service is at its greatest distance four blocks from the tracks on line No. 13 herein proposed to be abandoned.

It appears from the evidence in this proceeding that the operation of the line has been conducted at the minimum of expense by use of a one-man car and that the tracks require rehabilitation to place same in proper operative condition, it being estimated by the chief engineer of the applicant that an expenditure of approximately $9,000 will be required to place the line in safe operative condition for the winter months. To entirely rehabilitate the line and place same in proper operative condition by substituting ninety-one-pound high T rail for the sixty-pound rail now in use would cost an estimated amount of $59,000, and such rehabilitation, it is estimated, will require to be made within the next three years.

After careful consideration of all the evidence and exhibits filed in this proceeding, I am of the opinion that the continued operation of the so-called No. 13 line of the San Diego Electric Railway Company is not justified for the reason that the revenue derived from operation does not produce an amount necessary to meet the expense of operation, excluding taxes and depreciation, and is not sufficient to make any return on the amount invested in tracks and equipment. The entire operation of the San Diego Electric Railway system, as reflected by exhibits in this proceeding, is conducted at a substantial loss and, in view of the fact that transportation is available for the patrons of the company by the use of lines located four blocks from that herein proposed to be abandoned, I am of the opinion that the public interest would best be served by devoting the amount of deficit now being accumulated by the operation of this line to the conduct of other lines upon which more substantial patronage is accorded by the public.

I submit the following form of order:

ORDER.

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted, and the Commission being fully advised;

It is hereby ordered, that applicant be and the same hereby is authorized to discontinue service and remove its tracks over its so-called No. 13 line, said line extending from the intersection of First and Spruce streets in the city of San Diego and extending along said Spruce westerly to the intersection of Spruce and First streets, thence northerly along First street to its intersection with Washington street; such suspension of service to be made after five days notice will have

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been given the traveling public by posting notice in its cars operated on said line.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Diego, California, this fifteenth day of November, 1920.

DECISION NO. 8343.

IN THE MATTER OF THE APPLICATION OF FARMERS ALLIANCE BUSINESS ASSOCIATION FOR AN ORDER AUTHORIZING AND PERMITTING AN ISSUANCE OF A CERTAIN NUMBER OF SHARES OF CAPITAL STOCK AS A DIVIDEND.

Application No. 5630.

Decided November 15, 1920.

Carlton W. Greene, for Applicant.

BY THE COMMISSION.

OPINION.

Farmers Alliance Business Association, a corporation, conducting a general warehouse business in Paso Robles, San Luis Obispo County, asks permission to issue 320 shares ($3,200) of its common stock to reimburse its treasury and thereafter distribute the stock as a stock dividend.

A public hearing was had on this application before Examiner Westover at Paso Robles on November 3.

As of December 31, 1919, applicant reports its assets and liabilities as follows:

Assets.

Fixed capital:	
Cost of plant, buildings, land, etc.	$14,455 94
Equipment	4,147 57
Total fixed capital	$18,603 51
Treasury securities	2,300 00
Cash on hand and in banks	3,314 66
Notes receivable	481 74
Accounts receivable	6,346 36
Materials and supplies	1,226 80
Total assets	$32,273 07

Liabilities.

Capital stock	$15,160 00
Notes payable	7,000 00
Accounts payable	2,491 04
Surplus	7,622 03
Total liabilities	$32,273 07

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The testimony of Chester F. Grove, applicant's manager, showed that during 1919 applicant expended out of its surplus the sum of $3,256.56 for equipment, consisting of grain cleaning machinery, scale equipment, motor, belting, lumber and appliances. Because of these surplus earnings reinvested in fixed capital, applicant asks permission to issue $3,200 of its capital stock for the purpose of reimbursing its treasury; after such reimbursement applicant intends to distribute the stock as a dividend to present stockholders in proportion to their respective holdings.

ORDER.

Farmers Alliance Business Association having applied to the Railroad Commission for permission to issue $3,200 of its common capital stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in this order and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Farmers Alliance Business Association be and it is hereby authorized to issue on or before March 31, 1921, $3,200 of its common capital stock for the purpose of reimbursing its treasury on account of earnings invested to acquire the properties referred to in this application.

The order herein granted is upon the following conditions:

1. The stock herein authorized shall be issued at par, and after being used for the purpose of reimbursing applicant's treasury, shall be distributed by applicant as required and permitted by law to its stockholders as a stock dividend.

2. Farmers Alliance Business Association shall keep such record of the issue and disposition of the stock herein authorized as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this fifteenth day of November, 1920.

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DECISION NO. 8344.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY, AN ELECTRICAL CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF ONE MILLION FORTY THOUSAND FOUR HUNDRED SEVENTY-EIGHT DOLLARS AND FIFTY-FIVE CENTS PAR VALUE, FIRST AND REFUNDING MORTGAGE GOLD BONDS.

Application No. 6282.

Decided November 15, 1920.

Charles F. Potter, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

The Southern Sierras Power Company asks permission to issue at not less than 85 per cent of their face value, plus accrued interest, $1,040,478.55 of its first and refunding mortgage 6 per cent bonds, due January 1, 1965, for the purposes hereinafter indicated.

In Exhibit "B" attached to the petition, as amended at the hearing, applicant reports that from December 31, 1918, to August 31, 1920, it expended for plant extensions, additions and betterments the sum of $1,224,092.41. Included in the $1,224,092.41 is the sum of $410,493.34 reported to have been expended on construction work in progress on August 31, 1920. The testimony of P. R. Ferguson, applicant's assistant secretary and auditor, shows that the $410,493.34 covers only money expended on construction work which the company is actively engaged in carrying through to completion and that some of the work in process of construction on August 31, 1920, has already been completed. The $1,041,052.52 of bonds which applicant asks permission to issue represents 85 per cent of the net cost of the plant extensions, additions and betterments reported in Exhibit "B."

Applicant reports that the bonds which it asks permission to issue will be acquired by The Nevada-California Electric Corporation at 85 plus accrued interest, and that the proceeds obtained from the sale of such bonds will be used to pay indebtedness due the purchasing company. On September 30, 1920, applicant was indebted to The Nevada California Electric Corporation in the amount of $930,066.73, consisting of $873,100 principal and $59,966.73 accrued interest. The testimony shows that applicant has invested in plant surplus earnings in excess of $56,966.73. Because of such investment, applicant may be permitted to use the proceeds from the bonds to pay its indebtedness, including both principal and interest, due The Nevada-California Electric Corporation.

In Exhibit "A" attached to the petition herein, applicant reports as of September 30, 1920, $5,054,500 of bonds outstanding. Applicant's

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bonded indebtedness consists of $2,565,500 of first mortgage 6 per cent bonds and $2,189,000 of first and refunding 6 per cent bonds issued by applicant, and $300,000 of first mortgage 6 per cent bonds of the Coachella Valley Ice and Electric Company, the payment of which has been assumed by applicant.

I herewith submit the following form of order:

ORDER.

The Southern Sierras Power Company having applied to the Railroad Commission for permission to issue $1,040,478.55 of bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that The Southern Sierras Power Company be and it is hereby authorized to issue $1,040,478.55 of its first and refunding 6 per cent bonds, due January 1, 1965, for the purpose of financing in part the cost of plant extensions, additions and betterments, set forth in Exhibit "B," as amended at the hearing.

The authority herein granted is subject to the following conditions:

1. The bonds herein authorized to be issued shall be sold by applicant for not less than 85 per cent of their face value plus accrued interest and all of the proceeds realized from the sale of the bonds used to pay indebtedness due The Nevada-California Electric Corporation.

2. The Southern Sierras Power Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

4. The authority herein granted will apply only to such bonds as may be issued, sold and delivered on or before December 31, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of November, 1920.

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DECISION No. 8356.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION INTO THE RATES, RULES, REGULATIONS, SERVICE AND PRACTICES OF CONSERVATIVE INVESTMENT COMPANY.

Case No. 1408.

Decided November 22, 1920.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Good cause appearing;

It is hereby ordered, that that portion of the Commission's Order, Decision No. 7928, issued January 29, 1920, in the above entitled proceeding, which relates to the filing of rates, be and it is hereby amended and changed to read as follows:

It is hereby ordered, that Conservative Investment Company be and it is hereby authorized and directed to file with the Railroad Commission on or before March 1, 1921, and thereafter charge the following rates for water delivered to consumers in Neff Station Acres:

Metered Service.

Minimum monthly payment, entitling consumer to 500 cubic feet	$1 50
From 500 to 1000 cubic feet, per 100 cubic feet	20
Over 1000 cubic feet, per 100 cubic feet	15
Fire hydrants per year per outlet	12 00

It is hereby further ordered, that in all other respects Decision No. 7928 in the above entitled proceeding shall be and remain in full force and effect.

Dated at San Francisco, California, this twenty-second day of November, 1920.

DECISION No. 8358.

IN THE MATTER OF THE APPLICATION OF PENINSULA RAPID TRANSIT COMPANY FOR PERMISSION TO INCREASE RATES AND FARES.

Application No. 6177.

Decided November 22, 1920.

AUTO STAGES—RATES INCREASES—FRANCHISES, COST OF.—In establishing a rate base the Commission will not permit the capitalization of amounts paid for franchise rights in excess of their actual cost to the original grantee. Upon a showing that it has been operating at a loss in excess of $14,000 for the last three months, and that the increases asked for are not excessive, application granted.

J. E. McCurdy and *J. P. Duffy*, for Applicants.

BY THE COMMISSION.

OPINION.

The Peninsula Rapid Transit Company, a corporation, organized and existing under the laws of the State of California, whose principal place

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of business is the city of Burlingame, San Mateo County, California, has made application to the Railroad Commission of the State of California, under its Rule 11 of General Order No. 51 for authority to establish certain increases in rates. A public hearing was held at San Francisco on October 25, 1920, and the matter is now ready for decision.

The applicant in this proceeding was organized November 25, 1914, and began operations on May 20, 1915, conducting an automotive passenger service between San Francisco and San Mateo. In 1917, this concern suffered a fire which consumed their entire plant and equipment, with the exception of one bus, therefore the present company may be said to have started business in that year. Their original operations were between San Francisco and San Mateo and were subsequently extended to Palo Alto.

By this Commission's Decision No. 6547, issued August 9, 1919, the applicant in this proceeding was authorized to purchase and transfer the operative rights and equipment of G. Imperiale, who operated an automotive passenger service between San Francisco, San Jose and intermediate points along the state highway. At the time of taking over the Imperiale rights the applicant in this proceeding, in accordance with the requirements of the Commission, adopted the tariff of Imperiale, which included the fares, charges, rules and regulations of that company. The applicant company filed with this Commission their Tariff No. 3, C. R. C. No. 1, effective March 1, 1917, and the rates and charges contained therein, as well as the rates and charges of G. Imperiale which this company adopted, have never been changed.

The application in this proceeding was for an increase in rates of 5 cents on most of the fares interlocally between points San Mateo and San Jose and intermediate points inclusive and between San Francisco and points Beresford, San Jose inclusive, and for the elimination of round trip tickets (the only ones being to San Jose and Palo Alto) and to abolish ten-ride tickets applying between San Francisco and Palo Alto, Redwood City, San Mateo and Burlingame. No changes in rates are intended between San Francisco and San Mateo and intermediate points, there being two exceptions to the 5 cent increase which apply between San Francisco and San Jose, where the increase is 10 cents, and between San Mateo depot and San Jose, where a 10-cent increase is necessary to adjust rates in such a manner as to prevent a combination of locals being less than a through rate. By the elimination of the round trip fare between San Francisco and San Jose the rate will be increased to those who have heretofore purchased round trip tickets, but the testimony showed that many of these purchasers of round trip

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tickets have sold the return portion thereof, in violation of the carrier's rules. This is also true of the round trip fares between San Francisco and Palo Alto. Round trip tickets have been sold only in a limited number. Between points entirely within the incorporated limits of the municipalities of Redwood City, San Mateo, Burlingame and San Bruno and interlocally between the municipalities of San Mateo and Burlingame, the applicant desires to increase the rate to 10 cents.

At the hearing in this matter several exhibits of comparisons and charts were offered, among which was a report of Haskins and Sells, certified public accountants, comprising General Balance Sheet September 30, 1920 and 1919, a comparison; statement of income for the nine months ended September 30, 1920, and the nine months ended September 30, 1919, a comparison; statement of income by months for three months ended September 30, 1920, and while these figures were taken from the books without audit, they were sworn to as correct by the accountant who supervised the work and a subsequent check by the Commission's auditors has verified the figures in the report of the certified accountants.

As of September 30, 1920, the company reports assets and liabilities as follows:

Assets.

Lands and buildings	$38,455 90
Coaches	149,005 36
Plant equipment and construction in progress	14,676 32
Franchises	17,000 00
Working assets, including gasoline, materials, supplies, tires, lubricants, etc.	15,781 76
Cash on hand and accounts receivable	4,873 55
	$239,793 19

Liabilities.

Stock	$28,780 00
Mortgage notes	16,000 00
Current liabilities	91,209 53
Depreciation reserve	92,189 83
Surplus	11,613 83
	$239,793 19

The company reports under franchises an investment of $17,000. This includes $12,000 paid to G. Imperiale and $5,000 to W. L. Moreland for operative rights. The rights acquired from G. Imperiale authorize the company to operate between San Francisco and San Jose, while those acquired from W. L. Moreland permit the company to operate between San Jose and Palo Alto. The Commission allows only the amount paid by the original grantee to be capitalized, but the increase in rates herein asked for is clearly justified without taking into consideration the amounts paid for these operative rights.

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Exhibits 8 and 9 show a record of ticket sales in detail and were checked and found to be substantially correct. Some slight errors were made in these exhibits, but resulted in a change in the figures amounting to only $63.82.

The company is very economically managed. Twenty-two busses are operated continuously on schedule time, each bus running approximately 300 miles per day. The capital necessary to run the business was originally derived from the sale of stock. The fire in 1917, referred to in the first part of this opinion, left the company with practically no assets excepting one coach and some insurance, which were the nucleus of the present institution. The rehabilitation of the company was due to the military encampment at Camp Fremont, which provided a peak business, resulting practically in putting the company on their feet within a short time. No dividends have been paid by the company in some years. The company is well protected by insurance, carrying $5,500 on each of the 28 coaches, 90 per cent of the value of the building, liability insurance of $1,000, property damage to others, and each bus carries from $10,000 to $50,000 personal liability.

The company has recently established ticket agencies at various points—San Francisco, Palo Alto and San Jose—and have discontinued the practice of allowing operators to handle cash fares, having established a cash box pay-as-you-enter system, whereby all cash fares are dropped into this box. A trip report, covering the business handled each trip, is made by every driver.

The actual revenue received for nine months in 1920 was $350,066.16; using this basis and estimating the revenue for the remaining three months of the year would produce, under the existing rates, a total of $437,582.70. For these nine months the company received from the sale of tickets $272,960.91, while its cash box collections amounted to $77,105.25. The total estimated revenues, $437,582.70, for the year 1920, include $351,810.20 from the sale of tickets, and $85,672.50 cash box collections. If the proposed rates be applied to the ticket sales January 1 to September 30, 1920, inclusive, they would provide additional revenue of $32,807.78, and estimating the additional revenue for the other three months of the year would produce a total increase from the sale of tickets of $41,009.73.

Assuming that the proposed rates result in an increase of cash-box fares of $10,000 within a year's period, the result would be an increase of $51,009.73 on the estimated average year without an allowance for increase in business. Allowing for an increase in business of 5 per cent on the estimated year's business, there would result a total increase

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in revenue of $72,888.86. Added to the estimated revenue of $437,582.70 under existing rates would amount to $510,471.56.

The company's records show it operated during July, 1920, at a loss of $4,144.57; during August $6,711.58, and during September $3,234.62, making a total loss for these three months of $14,090.77. If the losses during the three months were extended to the entire year, the company under existing rates would sustain a deficit of $56,366.08. As stated above, the company's revenues under the proposed rates are estimated to increase by the sum of $72,888.86, or by an amount of $16,525.78 in excess of the estimated deficit under present rates, which applied to the company's reported investment of $239,793.19, would give a return of approximately 7 per cent.

Applicant as of September 30, 1920, reports $92,189.83 in its reserve for accrued depreciation, and $11,611.83 of unappropriated surplus. All of the moneys represented by the reserve for accrued depreciation and surplus have been invested in equipment and other properties. This was made possible by reason of the fact that the applicant has not retired any of its equipment as yet and the depreciation reserve is an accumulation of three or more years.

All of the evidence presented at the hearing in this proceeding went to show that an emergency exists, and while this company made money during the beginning of operations and made a profit during the first six months of this year, they were confronted in July with a strike of the drivers and operators, and the wages were increased, as shown heretofore. Gasoline and tires have also increased and immediate relief is necessary.

In order that the Commission may be fully advised as to the result of the increases herein authorized, applicant will be required to furnish the Commission a monthly report for six months, beginning December 1, 1920, and from such reports we will determine whether or not the rates authorized herein are reasonable and provide a fair return upon this applicant's investment.

Taking all of these things into consideration, the Railroad Commission hereby grants this application.

I hereby submit the following form of order:

ORDER.

It is hereby ordered, that the Peninsula Rapid Transit Company, a corporation, is hereby authorized to increase their fares in accordance with the application in this proceeding, and that the applicant will prepare and submit to the Railroad Commission a monthly report showing the result of the increased rates herein authorized.

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The rates herein authorized may be published effective upon one day's notice, in accordance with the rules and regulations of General Order No. 51 of the Railroad Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-second day of November, 1920.

DECISION NO. 8359

IN THE MATTER OF THE APPLICATION OF UKIAH WATER AND IMPROVEMENT COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 5618.

Decided November 23, 1920.

Sullivan, Sullivan and Theodore J. Roche, by *George D. Squires*, for Applicant.
Charles M. Mannon, for City of Ukiah.

BY THE COMMISSION.

OPINION.

Ukiah Water and Improvement Company, applicant herein, is a public utility water company engaged in the business of supplying water for domestic and commercial purposes to consumers in and in the vicinity of Ukiah, Mendocino County, California. In this proceeding applicant asks for authority to increase its rates for said service, alleging in effect that the present rates do not provide sufficient revenue to yield operating expenses, depreciation and a reasonable return upon the investment.

A public hearing was held in this matter before Examiner Satterwhite at Ukiah. All of applicant's consumers were notified of the hearing and given an opportunity to appear and be heard.

The rate schedule at present in effect was fixed by this Commission in its Decision No. 3294, dated April 29, 1916, Application No. 2146, *In the matter of the application of Ukiah Water and Improvement Company for authority to increase rates* (Vol. 9, p. 844, Opinions and Orders of the Railroad Commission of California). Reference is made to that decision for the history of the company and facts relating to operating conditions.

For the purposes of this proceeding, Mr. M. R. MacKall, one of the Commission's hydraulic engineers, submitted a report and appraisal of the properties of applicant. This appraisal is based upon the appraisal of the system made by the Commission's engineers in 1916, in so far as it was approved, to which has been added subsequent additions to

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capital. Mr. MacKall's appraisement of the used and useful properties of applicant is $65,656. He reports a depreciation annuity computed by the sinking fund method in the amount of $616, and an estimate of reasonable maintenance and operation expense of $8,821. Applicant presented a statement which purports to show that the future maintenance and operating expenses will amount to $12,883.

The difference between the estimates presented is largely due to the elimination by Mr. MacKall of certain charges which had been entered in the books as operating expenses and which in fact were incurred in replacing and extending certain portions of the system or were for expenses which do not annually recur. It appears that there should be added to Mr. MacKall's estimate certain items, the principal of which is an allowance for expenditures for legal services.

After a careful study of the evidence presented, and taking into consideration the increased costs of labor and materials, it appears that the sum of $9,200 is a reasonable amount to be allowed for maintenance and operation expense, and that figure will be used herein.

The following is a summary of the fair and reasonable annual charges:

Interest on $65,656 at 8 per cent	$5,252 00
Replacement fund	616 00
Maintenance and operation expense	9,200 00
Total	$15,068 00

The total revenue for the year 1919 was approximately $12,700, and it is therefore evident that the present rate is inadequate and that applicant is entitled to an increase in rates.

ORDER.

The Ukiah Water and Improvement Company, having made application in the above entitled matter, a public hearing having been held thereon, and the Commission being fully apprised in the matter:

It is hereby found as a fact that the rates now charged by the Ukiah Water and Improvment Company for water supplied to its consumers are unjust and unreasonable in so far as they differ from the rates herein established and that the rates herein established are just and reasonable rates for such service. And basing its order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion;

It is hereby ordered, that the Ukiah Water and Improvement Company be and it is hereby authorized and directed to file with the Railroad Commission, within twenty days from the date of this order,

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and thereafter charge the following rates for water delivered to its consumers in Ukiah and vicinity:

MONTHLY FLAT RATES.

Dwelling houses, five rooms or less	$1 25
Each additional room	25
Private toilets, each	25
Private urinals (with self closing valves) each	25
Private urinals (without self closing valves) each	40
Bath tubs, each	25
Private stables, including one horse and vehicle	50
For each additional animal	10
Private garage, including one automobile	50
For each additional machine	25
Sprinkling and irrigation, per square yard sprinkled or irrigated	007
Barber shops, each	1 50
Public bath tubs, each	1 00
Additional tubs installed in same establishment, each	50
Public water closets, each	50
Watering troughs	1 00
Public halls	1 25
Stores	1 25
Butcher shops, candy stores, restaurants, saloons, creameries	2 50
Office rooms	50
Printing offices and photograph galleries	3 00
Livery stables and stage barns	3 00
Blacksmith shops	1 50
For building and construction purposes per barrel of lime, cement, or material mixed	10
Fire hydrants installed by city and repaired by water company	1 00
Fire hydrants installed by company, 2-inch	1 50
Fire hydrants installed by company, 3-inch	2 00

For service other than as above enumerated the meter rate schedule shall apply.

MONTHLY METER RATES.

Quantity rates:	
For use—	
Between 00 and 2000 cubic feet, per 100 cubic feet	$ 20
Over 2000 cubic feet per 100 cubic feet	12
Minimum payments:	
¾-inch and ¾-inch meters	$1 00
1-inch meter	1 50
1½-inch meter	1 75
2-inch meter	2 00

It is hereby further ordered, that the Ukiah Water and Improvement Company be and it is hereby directed to file with the Railroad Commission for its approval, within thirty days of the date of this order, rules and regulations to be and become effective within five (5) days of their approval by the Commission.

Dated at San Francisco, California, this twenty-third day of November, 1920.

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DECISION NO. 8361

IN THE MATTER OF THE APPLICATION OF THE MACDOEL TELEPHONE COMPANY, A CORPORATION, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO OPERATE A TELEPHONE LINE AT AND AROUND MACDOEL IN THE COUNTY OF SISKIYOU, STATE OF CALIFORNIA, AND TO ISSUE STOCK.

Application No. 4915.

Decided November 26, 1920.

CERTIFICATES—LOCAL PERMITS MUST BE SECURED TO OBTAIN.—In connection with applicant's petition for a certificate permitting the construction and operation of a telephone system in Siskiyou County, the Commission does not agree with the contention of applicant that a county board of supervisors can not grant a franchise in cases such as the present one, and it refuses to grant a certificate under the provisions of section 50 of the Public Utilities Act until applicant has obtained a satisfactory permit from the county authorities.

Applicant authorized to issue eighteen shares of its capital stock in lieu of stock heretofore illegally issued, and local franchise having been obtained, a certificate is issued permitting the construction and operation of a telephone system in Siskiyou County.

Collier and McNamara, by *J. P. McNamara*, for the Macdoel Telephone Company.

BY THE COMMISSION.

OPINION.

Macdoel Telephone Company, applicant in this proceeding, owns and operates a small telephone system in and adjacent to the unincorporated town of Macdoel, Siskiyou County, California. In its application it is asking an order of the Railroad Commission granting:

1. A certificate of public convenience and necessity as provided in section 50 (*a*) of the Public Utilities Act.

2. For authority on the part of the Macdoel Telephone Company, Incorporated, to acquire the property and business of the Butte Valley Mutual Telephone Association and for authority on the part of the Butte Valley Mutual Telephone Association to transfer its property and business to the Macdoel Telephone Company, Incorporated.

(3) For authority on the part of the Macdoel Telephone Company, Incorporated, to issue eighteen shares of its capital stock to its stockholders in payment for their respective interests in the property of the Butte Valley Mutual Telephone Association, in lieu of stock heretofore unlawfully issued for said purpose.

(4) For authority on the part of the Macdoel Telephone Company, Incorporated, to publish, file and place in effect rates, rules and regulations.

A public hearing was held at Dorris, California, May 28, 1920, before Examiner Satterwhite.

The application sets forth that the Butte Valley Mutual Telephone Association was organized in 1907 as a farmers' line and was maintained and supported by assessments levied on its members. That it

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acquired and constructed about thirteen miles of telephone line, being the same property now held by the applicant, Macdoel Telephone Company, Incorporated. That said association consisted of eighteen members who paid $40 each for the construction of its line and present equipment. That during the year 1916 the members of said association in order to put its business on a proper basis incorporated under the name of Macdoel Telephone Company, and certificate of incorporation was issued on March 22, 1917. That all of the members of said association became members of the Macdoel Telephone Company, Incorporated. That the members of said association transferred to Macdoel Telephone Company, Incorporated, their respective interests in said association, and that Macdoel Telephone Company, Incorporated, issued to each of said members in payment for their said interest one share of its capital stock at the par value of $40 per share.

The application further sets forth that the town of Macdoel is not incorporated and that the applicant is advised and believes no permit from any local authority is required to operate within the limits of said town; that all of applicants' lines are constructed along public and private highways; that applicant has petitioned the board of supervisors of Siskiyou county for a permit for the construction of said lines along said public highways, and has been advised that said board has no authority to grant such permit as the interest owned by the county in said public highways is only an easement but said board, however, has no objection to said telephone line as same is constructed.

The Commission does not agree with the contention of applicant that a county board of supervisors can not grant a franchise in cases such as this and is unwilling, unless a franchise or permit is first obtained, to grant a certificate under section 50 of the Public Utilities Act. Applicant has been advised of this and has since obtained a satisfactory permit from the board of supervisors of Siskiyou County to construct and maintain telephone poles and supports along the county highways, and has forwarded a copy of said permit to the Commission.

The rates which applicant proposes to file and make effective with the Commission's authorization are as follows:

> To regular subscribers and holders of telephones, one dollar ($1) per month.
> Switching charge for nonsubscribers, ten cents ($0.10) per call.

The eighteen shares of its capital stock heretofore illegally issued is the only stock issued and outstanding. The company has issued no bonds and has no other indebtedness.

No other public utility is now furnishing local telephone service in the territory in which applicant is operating. Applicant's system,

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however, connects with the system of the Klamath Telephone and Telegraph Company for long distance toll service to outside points.

It appears that the public convenience and necessity require the operation of applicant's system. It appears further that the stock heretofore issued by applicant without the prior authority of the Commission was issued in ignorance of the fact that the consent of the Commission should have been secured before this stock was issued and that the proceeds derived therefrom were used for proper capital purposes.

We are accordingly of the opinion that the various matters for which Commission authorization is now sought are in the public interest and that this application should be granted.

ORDER.

Application having been filed with the Railroad Commission by the Macdoel Telephone Company, a corporation, for an order granting a certificate of public convenience and necessity and authorizing petitioner to issue eighteen (18) shares of its capital stock in lieu of a like number of shares of stock heretofore illegally issued, and authorizing petitioner to publish, file and place in effect rates, rules and regulations, all as set forth in the opinion preceding this order, a public hearing having been held, the Commission being fully advised, and it appearing to the Commission that the application should be granted;

It is hereby ordered, as follows:

1. Macdoel Telephone Company is hereby granted a certificate of public convenience and necessity authorizing it, in connection with and by virtue of that certain permit to erect telephone poles, etc., granted it by the board of supervisors of Siskiyou County, California, on November 1, 1920, to construct and operate a telephone system in, and in the vicinity of, the unincorporated town of Macdoel, Siskiyou County, California.

2. Macdoel Telephone Company is hereby authorized to acquire the property and business of Butte Valley Mutual Telephone Association and Butte Valley Mutual Telephone Association is hereby authorized to transfer to Macdoel Telephone Company its property and business in and in the vicinity of, Macdoel, Siskiyou County, California.

3. Macdoel Telephone Company is hereby authorized to issue eighteen (18) shares of its capital stock on the following conditions and not otherwise, to wit:

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(a) Said stock herein authorized shall be issued to the following persons in substitution of an equal number of shares shown to have been illegally issued as follows:

Date issued	Certificate Number	Issued to	Number Shares	Amount
April 25, 1917	1	S. K. Adams	1	$40 00
April 25, 1917	2	E. O. Bissell	1	40 00
April 25, 1917	3	Charles Brannon	1	40 00
April 25, 1917	4	Butte Valley Land Company	1	40 00
April 25, 1917	5	R. S. Green	1	40 00
April 25, 1917	6	J. D. Hammond	1	40 00
April 25, 1917	7	Herman Holzhauser	1	40 00
April 25, 1917	8	H. F. Maust	1	40 00
April 25, 1917	9	O. C. Maust	1	40 00
April 25, 1917	10	C. Messick and Son	1	40 00
April 25, 1917	11	Noah Miller	1	40 00
April 25, 1917	12	O. M. Moore	1	40 00
April 25, 1917	13	A. Preussler	1	40 00
April 25, 1917	14	Z. E. Randall	1	40 00
April 25, 1917	15	Smith and Maust	1	40 00
April 25, 1917	16	D. H. Withers	1	40 00
April 25, 1917	17	Leo A. Wolfe	1	40 00
April 25, 1917	18	A. Y. Truax	1	40 00

(b) Before said stock shall be issued, the certificates of stock in lieu of which said stock is hereby authorized to be issued shall be called in by the applicant and cancelled.

(c) The authority herein granted to issue stock shall apply only to such stock as shall be issued on or before June 30, 1921.

4. Macdoel Telephone Company is hereby authorized within thirty days of the date of this order to publish and file with the Railroad Commission and make effective a schedule of rates as set forth in the opinion preceding this order, provided that until further order of the Railroad Commission the Macdoel Telephone Company shall continue in effect rules and regulations in accordance with the provisions of this Commission's Decision No. 2879, dated November 5, 1915, as modified by Decision No. 8146, dated September 24, 1920, in so far as said rules and regulations are applicable in this case.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

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DECISION NO. 8362.

IN THE MATTER OF THE APPLICATION OF ONTARIO POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF SEVEN PER CENT PREFERRED STOCK.

Application No. 6257.
Decided November 26, 1920.

Glenn D. Smith, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Ontario Power Company asks permission to issue at par $38,000 of its 7 per cent cumulative preferred stock and to use the proceeds to reimburse its treasury on account of earnings expended for plant extensions, additions and betterments.

The company reports its actual expenditures between February 28 and October 15, 1920 for permanent improvements and additions as follows:

Pole line construction, line materials and supplies	$40,008 85
Meters	4,446 56
Transformers	28,987 88
Office and substation equipment	10,806 01
Total expenditures	$84,249 30
Less 20 per cent of cost which applicant intends to pay out of income	16,850 85
Balance	$67,398 45
Purchase from Southern California Edison Company of base line road pole line, authorized by Decision No. 8202, dated October 5, 1920	12,500 00
Total	$79,898 45
Less expenditures paid through issue of stock authorized by Decision No. 7376, dated April 5, 1920	41,864 79
Leaving expenditures unprovided for	$38,033 66

Applicant reports that it has recently increased its capital stock from $500,000 to $1,500,000, divided into $600,000 of 7 per cent cumulative preferred and $900,000 of common stock and that $74,000 of preferred and $380,000 of common were outstanding on October 1, 1920. After paying operating expenses, including taxes and $15,000 for depreciation and paying bond interest and other fixed charges, applicant reports that its net income for 1917 amounted to $43,783.95, for 1918, $38,974.72 and for 1919, $31,459.73. During 1917, the company paid out of net income dividends amounting to $15,200, in 1918, $17,100, while no dividends were paid in 1919. The accumulated surplus of the company increased from $43,783.95 on December 31, 1916 to $108,875.52 on December 31, 1919, the increase being due in part to the nonpayment of dividends in 1919. It clearly appears from

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the testimony of Glenn D. Smith, applicant's general manager, and from reports filed with the Commission, that applicant has invested in plant extensions, additions and betterments, earnings in excess of $38,000.

Petition's general manager testified that in his opinion no difficulty would be encountered in disposing of the $38,000 of stock at par.

I herewith submit the following form of order:

ORDER.

Ontario Power Company having applied to the Railroad Commission for permission to issue at par $38,000 of its 7 per cent cumulative preferred stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that such expenditures are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Ontario Power Company be and it is hereby authorized to issue and sell, for cash, on or before April 1, 1921, at not less than par, $38,000 of its 7 per cent cumulative preferred stock and use the proceeds from the sale of such stock to reimburse its treasury because of earnings expended for plant extensions, additions and betterments reported in this application;

Provided, that Ontario Power Company will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

DECISION No. 8363.

IN THE MATTER OF THE APPLICATION OF CONSERVATIVE WATER COMPANY, A CORPORATION, FOR ORDER AUTHORIZING ISSUE OF TERM PROMISSORY NOTES.

Application No. 6054.
Decided November 26, 1920.

James S. Bennett, for Applicant.

EDGERTON, *Commissioner.*

OPINION.

Conservative Water Company asks permission to issue $40,000 of 8 per cent unsecured ten-year notes, the company retaining the option to

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pay the notes on any interest date after five years from date. The company intends to issue the notes at par and asks permission to use $10,444 of the proceeds to refund a like amount of notes now outstanding and use the remainder to pay for improvements, the estimated cost of which is reported as follows:

Pipe line extension	$2,225 21
New main line	6,619 03
New line to tie up main line	6,138 00
Meters	7,740 00
New pumping equipment	2,550 00
Contingencies	4,283 76
Total	$29,556 00

Both W. W. Pedder, president and manager of the company, and the engineers of the Commission, are of the opinion that the improvements outlined in the application and referred to in the preceding paragraph, should be made and are necessary to enable applicant to give better service.

The testimony shows that the proceeds from the notes now outstanding and which applicant asks permission to refund, have all been expended for permanent plant extensions, additions and betterments.

Applicant reports $100,000 of stock outstanding. Practically all of the stock is owned by W. W. Pedder. Applicant operates in the city of Watts and vicinity. In 1919 it had 1541 consumers and reported gross earnings of $19,800.49, operating expenses of $16,078.20, leaving net earnings of $3,722.29. W. W. Pedder is of the opinion that the net earnings of the company will be more than sufficient to meet the company's interest charges.

I herewith submit the following form of order;

ORDER.

Conservative Water Company, having applied to the Railroad Commission for permission to issue $40,000 of notes, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Conservative Water Company be and it is hereby authorized to issue and sell at not less than their face value $40,000 of promissory notes due ten years after date and payable at the option of the company on any interest date on or after five years from date, with interest at the rate of 8 per cent per annum, payable semiannually.

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The authority herein granted is subject to the following conditions:

1. Of the proceeds realized from the issue and sale of the notes herein authorized, $10,444 shall be used to pay or refund the $10,444 of notes set forth in Schedule "A" attached to the petition herein.

2. The remainder of the proceeds shall be used to pay for the following plant extensions, additions and betterments:

Pipe line extension (Schedule B)	$2,225 21
New main line (Schedule C)	6,619 03
New line to tie up main line (Schedule D)	6,138 00
Meters (Schedule E)	7,740 00
New pumping equipment (Schedule F)	2,550 00
Contingencies	4,283 76
	$29,556 00

3. Conservative Water Company shall keep such record of the issue and sale of the notes herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such notes as may be issued and sold on or before March 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

DECISION NO. 8364.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE SALE OF ONE MILLION FIVE HUNDRED THOUSAND DOLLARS OF GENERAL MORTGAGE BONDS AND THE HYPOTHECATION OF ONE MILLION FIVE HUNDRED THOUSAND DOLLARS OF FIRST AND REFUNDING BONDS.

Application No. 6238.

Decided November 26, 1920.

BOND ISSUES—COMPLIANCE WITH PROVISIONS OF MORTGAGE.—The Railroad Commission refuses to grant applicant permission to issue and pledge $1,500,000 of its series "B" first and refunding mortgage sinking fund bonds when no satisfactory showing has been made in the present proceeding that applicant has complied with the terms and conditions of its first and refunding mortgage governing the authentication and issue of bonds under such mortgage.

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Applicant authorized to issue $1,500,000 of its general mortgage 8 per cent bonds to be sold at not less than 94, $969,927.38 of the proceeds thereof to be used to reimburse treasury covering capital expenditures made, the balance to be used for new construction.

Chaffee E. Hall, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

Great Western Power Company of California asks permission to issue and sell at 94 per cent of their face value, plus accrued interest, $1,500,000 of its general mortgage convertible 8 per cent gold bonds.

In Decision No. 7984, dated August 17, 1920, the Railroad Commission authorized applicant to issue and sell $3,500,000 of its general mortgage convertible 8 per cent gold bonds at 93 per cent of their face value plus accrued interest, provided that the money be used to pay in part for the completion of its Caribou development and the construction of its new transmission line.

Applicant asks permission to use the proceeds from the sale of the bonds covered in this application to reimburse its treasury and to pay for the construction of plant extensions, additions and betterments. Applicant reports that from June 1, 1919, to August 31, 1920, it expended for plant extensions, additions and betterments the sum of $969,927.38. A summary of these expenditures is attached to the petition and marked Exhibit "A." The expenditures have been incurred in the following districts:

A. *Distribution system*—		
San Francisco	$156,074 03	
San Mateo	13,527 73	
Petaluma	42,296 60	
Santa Rosa	9,562 27	
Napa	29,745 70	
Oakland	235,305 08	
Rio Vista	76,603 79	
Sacramento	85,231 22	
Big Meadows	104,548 65	
Total distribution		$752,895 07
B. Additions and improvements to transmission system		59,889 77
C. Additions and improvements to production system		534 95
D. Additions and improvements for general utility purposes		25,807 90
E. Cost of lands acquired appurtenant to hydroelectric development		130,799 69
		$969,927 38

Applicant in Exhibit "B" estimates that its expenditures on account of the construction of necessary extensions, additions and betterments for the year ending August 31, 1921, will amount to $1,027,000. This estimate does not cover any part of the cost of the new transmission line or of the Caribou development.

Mr. Mortimer Fleishhacker, president of the Great Western Power Company of California, testified that if this application is granted and

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the bonds sold, all of the proceeds will be invested in plant, and that while the company asks permission to reimburse its treasury through the sale of its bonds to the extent of $969,927.38, that the moneys used for such reimbursement will be expended for the construction of extensions, additions and betterments set forth in Exhibit "B." Any proceeds from the sale of bonds not necessary to pay for the construction of said extensions, additions and betterments will be expended only for such purposes as the Railroad Commission may hereafter authorize.

Applicant also asks permission, when a proper showing is made, to pledge $1,500,000 of its series "B" first and refunding mortgage sinking fund gold bonds under the mortgage securing the 8 per cent general mortgage bonds which it now seeks authority to issue. No satisfactory showing has been made in this proceeding that applicant has complied with the terms and conditions of its first and refunding mortgage governing the authentication and issue of bonds under such mortgage. Therefore, that portion of this application relating to the issue of series "B" first and refunding bonds will be dismissed without prejudice.

I herewith submit the following form of order:

ORDER.

Great Western Power Company of California, having applied to the Railroad Commission to issue and sell $1,500,000 of its general mortgage convertible 8 per cent gold bonds, and when a proper showing is made, to issue and deposit as collateral $1,500,000 of series "B" first and refunding bonds, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of applicant's general mortgage convertible 8 per cent gold bonds is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered. that Great Western Power Comany of California be and it is hereby authorized to issue $1,500,000 of its general mortgage convertible 8 per cent gold bonds.

It is hereby further ordered, that the above entitled application, in so far as it relates to the issue of series "B" first and refunding mortgage sinking fund gold bonds be and it is hereby dismissed without prejudice, for the reasons set forth in the foregoing opinion.

The authority herein granted is subject to the following conditions:

1. The $1,500,000 of general mortgage convertible 8 per cent gold bonds herein authorized to be issued shall be sold by applicant for

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cash, at not less than 94 per cent of their face value, plus accrued interest.

2. Of the proceeds obtained from the sale of said bonds, $969,927.38 may be used by applicant to reimburse its treasury on account of the expenditures set forth in Exhibit "A," provided that all of said expenditures are properly chargeable to capital account, in accordance with the uniform system of accounts prescribed by the Railroad Commission for electric corporations; and provided further, after the reimbursement of applicant's treasury, the $969,927.38 be used to pay in part for plant extensions, additions and betterments set forth in Exhibit "B."

3. So much of the remainder of the proceeds as is necessary may be used by applicant to pay the cost of constructing the plant extensions, additions and betterments set forth in Exhibit "B." Any moneys remaining after the construction of the plant extensions, additions and betterments set forth in Exhibit "B" shall be expended only for such purposes as the Railroad Commission may authorize.

4. Great Western Power Company of California shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The company shall include in such reports, statements showing the purposes for which it expended the amount of money it is herein authorized to reimburse its treasury, as well as all other moneys obtained from the sale of the bonds.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted will apply only to such bonds as may be issued and sold on or before April 30, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

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DECISION NO. 8366.

IN THE MATTER OF THE APPLICATION OF GEORGE S. MONTGOMERY FOR AN INCREASE AND ADJUSTMENT OF THE WATER RATES IN THE TERRITORY SERVED BY THE CAZADERO WATER SYSTEM.

Application No. 5770.

Decided November 26, 1920.

WATER RATES—SEASON RESORT SERVICE.—In establishing rates for a water utility serving a season resort it is held to be unfair to require the consumers receiving water during the entire year to bear a large part of the extra expense incurred because of those receiving service for a few months only; accordingly two minimum rates are established, one of $14 per year providing for four months service, the other $18 for twelve months service.

H. R. Womeldorff, for Applicant.

F. J. Schneider and *George Adams*, for the Consumers.

BY THE COMMISSION.

OPINION.

The application in the above entitled proceeding alleges in effect that the present rates collected for water supplied to consumers do not yield sufficient revenues and the Commission is asked to permit an increase and adjustment of rates.

A public hearing was held before Examiner Westover at Cazadero at which all interested parties were given an opportunity to be present and to be heard.

The water system operated by applicant serves consumers in Cazadero and vicinity, Sonoma County, and derives its supply from creeks and springs, storage being provided by three large tanks and distribution to consumers made through wrought iron pipes.

The district served is a summer resort which has a great fluctation in population during the different seasons of the year, the number of active services varying from a minimum of 18, during the winter, to approximately 76 during the summer months. The area served is sparsely settled and it is therefore necessary for the utility to maintain an extensive distribution system, of sufficient capacity to deliver water to a comparatively large number of temporary residents during a few months in the summer season, while during the remainder of the year a very much smaller system would be required to serve consumers. The investment still remains during the slack season and many of the operating expenses do not fluctuate with the number of consumers served. It is apparent that the greater portion of the supply is sold during the summer months and that the utility must at all times of the year stand ready to serve any and all consumers, and that this readiness to serve entails a continuous expense.

The present rates charged by the utility for service to its consumers are flat rates of $1 per month when water is used without regard to

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whether or not the consumer uses water during one month or the entire year. Three consumers pay from $1.50 to $2 per month to cover use of water greater than that of the ordinary consumer.

The actual cost of the system is unknown, but investigation by the Commission's engineers indicates that the original cost was not less than $5,500; that the depreciation annuity, computed by the sinking fund method, is $130; and that an annual allowance for maintenance and operating expense of not less than $900 should be made. With interest at 8 per cent the annual charges would thus amount to $1,470. Revenues from the sale of water during the twelve months ending March 31, 1920, were $380 and it is thus apparent that the utility is entitled to an increase in rates.

The evidence shows that the district served by applicant is still in its development stage, and if a rate schedule is established to produce the total annual charges, based upon the estimated original cost as set out herein, it would be so high as to be unfair to the consumers. The schedule set out in the accompanying order is designed to yield sufficient revenue to provide for maintenance and operating expense, depreciation annuity and some return upon the investment; is based upon rates charged by other utilities similarly located; and will work substantial justice to both the consumers and the utility.

Because of the fact that most of applicant's consumers receive water for only a short period each year, it is a difficult matter to equitably distribute the expense among the consumers, and it would be unfair to require the consumers receiving water during the entire year to bear a large part of the extra expense incurred because of those receiving service for a few months only.

Testimony shows that in some few instances the application of the flat rate charges established herein will result in unduly large bills and injustice to consumers. This is particularly true in regard to resort hotels where sleeping quarters are provided by means of small cottages or tents. In instances of this kind it is apparent that meters should be installed and payment made under measured rates.

During previous years many complaints of poor service have come to the Commission, but testimony shows that the water system has been largely rebuilt during the past year and that consumers are now satisfied with the service rendered.

ORDER.

George S. Montgomery having made application to the Commission for permission to increase and adjust rates, a public hearing having been held thereon, and the Commission being fully advised in the matter:

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It is hereby found as a fact that the rates now charged by George S. Montgomery for water supplied to consumers in Cazadero and vicinity are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates for such service. And basing its order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion;

It is hereby ordered, that George S. Montgomery be and he is hereby authorized and directed to file with the Railroad Commission, within twenty days from the date of this order, the following schedule of rates, said rates to be charged for water delivered to his consumers on and after January 1, 1921, and to be and become effective as of that date:

FLAT RATES.

Minimum annual charge, payable in advance, which entitles consumer to a maximum of 400 cubic feet of water per month for four months	$14 00
For each additional month, which entitles consumer to 400 cubic feet of water	1 00
Flat rates for the entire year, payable in advance, which entitles consumer to 400 cubic feet of water per month	18 00

METER RATES.

Minimum annual charge, payable in advance, which entitles consumer to a maximum of 400 cubic feet of water per month for four months	$14 00
All use during other months, 400 cubic feet or less	1 00
Meter rates for the entire year, payable in advance, which entitles consumer to a maximum of 400 cubic feet per month	18 00
For use in excess of 400 cubic feet, in any month:	
From 400 to 4000 cubic feet, 20 cents per 100 cubic feet.	
Over 4000 cubic feet, 10 cents per 100 cubic feet.	

It is hereby further ordered, that George S. Montgomery shall file with this Commission, within thirty days from the date of this order, rules and regulations governing service to consumers, which shall provide, among other things, as follows:

1. That the annual charges shall be due on January 1 of each year.
2. That in the event a consumer receives service for only a portion of the month, the rates for the full month shall be charged.
3. A meter may be installed upon any service at the option and expense of the utility and the consumer thereafter be charged at meter rates.
4. Any consumer may demand that a meter be installed upon the service supplying him with water, and that he be charged at meter rates. In such case the consumer shall deposit with the utility the estimated cost of meter and installation and the deposit shall be returned to consumer at the rate of 25 per cent of the bills for water used through the meter.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

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DECISION NO. 8369.

IN THE MATTER OF THE APPLICATION OF SOUTH SAN FRANCISCO BELT RAILWAY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO INCREASE ITS RATES FOR SWITCHING CARLOAD TRAFFIC AT SOUTH SAN FRANCISCO, CALIFORNIA.

Application No. 6192.

Decided November 26, 1920.

Upon a showing by applicant that its railway operations for the year 1919 were conducted at a net loss of $25,784.16, and that even under the rate which it proposes to establish it will not earn operating expenses and taxes, it is authorized to establish, within twenty days, a rate of $3.50 for switching loaded cars between points located on its rails.

Sanborn and Rochl, for Applicant.

M. E. Van Dine, *R. T. Boyd* and *Bishop and Bahler*, for the Growers' Rice Milling Company, Protestant.

LOVELAND, *Commissioner*.

OPINION.

This is an application by the South San Francisco Belt Railway, under section 63 of the Public Utilities Act, for authority to increase the switching charges between the interchange tracks of the Southern Pacific Company and the industries located on its rails.

The present tariff provides a rate of $2.50 for the first car, and $1 for each additional car.

It is proposed to establish a flat rate of $3.50 for every loaded car.

The company was incorporated November 20, 1907, under the laws of the State of California, and has 3.19 miles of standard gauge track, two locomotives, a machine shop and other property and equipment necessary to the rendering of the service. A statement attached to the application shows that as of May 1, 1920, the property had a book value of $94,929.55 and that since the commencement of operation to May 1, 1920, the total deficit has amounted to $57,039.82. The property has never been valued by this Commission, and since the application in this proceeding is not for the purpose of securing a return upon the investment but is for the purpose of reducing the annual operating deficit, it will not be necessary to make any valuation. However, a witness for applicant testified that the Interstate Commerce Commission had fixed the reproduction cost of the property at $82,064 and the reproduction cost less depreciation at $65,590.

During the month of April, 1920, the total revenue was $1,157, while the total operating expenses were $3,038.32, or a net loss for the month of $1,881.32. For the first four months of 1920 the total revenue was $5,918 and the total operating expenses $13,864.74, or a loss for this four months period of $7,946.74. The annual report for the year ending December 31, 1919, shows a total railway operating revenue of

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$13,782, total operating expense of $39,566.16, a net loss from railway operations during this year of $25,784.16.

The applicant has no salaried officials, the operation of the line being handled by the employees of the Western Meat Company, and no charge is made against the Belt Railway except a charge of $5 per month allowed the Western Meat Company's accounting department for keeping the books and performing the other necessary clerical work.

During the year 1919 applicant handled 9120 cars at an average charge of $1.51 and, as heretofore stated, secured a revenue during the year of $13,782. Under the rate of $3.50, as proposed, the total revenue for handling the same number of cars would be $31,920, which would leave a deficit over the actual operating expenses including depreciation of $7,646.16, this based on the operating expenses for 1919. To secure the actual operating expenses and depreciation, it would be necessary to make a charge of $4.34 per car, and if a return were to be secured upon the claimed investment, a charge of $5 per car would be necessary.

Applicant serves some 12 or 13 industries, but approximately 65 per cent of the service rendered is on behalf of the Western Meat Company, which organization apparently is in control of the railway and no doubt the line was constructed primarily to serve this company.

Only one interested shipper appeared in opposition to the increases asked for, and this objection was principally upon the ground that when the industry was located and the factory site secured from the South San Francisco Land and Improvement Company, the selling agent gave the assurance that the industry would very soon be placed upon a parity with competing industries within the San Francisco switching limit, for the reason that the Southern Pacific Company would take over this Belt Line and thereafter absorb the switching charges.

Testimony shows that a lease of the San Francisco Belt Line to the Southern Pacific Company was contemplated prior to federal control but that all negotiations were suspended during the war and no efforts have since been made to carry out the original plan. The proposed rate of $3.50 per car, when consideration is given to the number of cars moved per annum, is not excessive and, unless the volume of traffic increases, will not produce sufficient revenue to even pay operating expenses and taxes, to say nothing of depreciation or return upon investment. The Commission's auditing department has since the hearing made a complete check of the books of the applicant covering the year 1919 and for the first nine months of 1920, and rendered a statement showing revenues and expenses and, while some of the items

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of operating expenses should have been differently segregated, no changes effecting material results were found.

After giving consideration to all of the testimony and exhibits, I am of the opinion that the application should be granted.

ORDER.

A public hearing having been held in the above entitled proceeding, testimony having been presented, and the case having been submitted for decision, and the Railroad Commission having reached the conclusion that the rates now being charged are unjust and unreasonable;

It is hereby ordered, that the South San Francisco Belt Railway be authorized to establish within twenty days from the date of this order a rate of three dollars and fifty cents ($3.50) for switching loaded cars between points located on its rails.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

DECISION NO. 8370.

IN THE MATTER OF THE APPLICATION OF B. AND H. TRANSPORTATION COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE STOCK.

Application No. 6241.

Decided November 26, 1920.

C. C. McWhinney and *R. H. Clock*, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

B. and H. Transportation Company asks permission to issue, at par, $200,000 of its common capital stock.

Applicant was incorporated on February 21, 1920, with an authorized capital stock of 300,000 shares of the par value of $300,000. The company, since April 12, 1920, has been engaged in the transporting of passengers by auto busses over certain streets of the city of Long Beach, operating under an exclusive franchise granted by the city.

For the period April 12 to October 1, 1920, revenues and expenses are reported as follows:

Revenue.

Fares earned	$47,640 65	
Miscellaneous	300 00	
Total		$47,940 65

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Expenses

Overhead	$ 8,820 51	
Labor	16,210 35	
Materials	9,674 05	
Total		34,704 91
Surplus		$13,235 74

Applicant reports assets and liabilities as of October 1, 1920 as follows:

Assets.

Cash	$7,086 43
Storeroom stock	7,500 00
Real estate	23,973 47
Equipment	1,248 83
Rolling stock	68,908 42
Franchise	21,873 38
Prepaid insurance	721 27
Insurance fund	10,300 00
	$141,611 80

Liabilities.

Accounts Payable—	
General	$ 19,277 22
Loans from officers	79,252 84
Notes payable	16,000 00
Capital stock	3 00
Mortgages	13,844 00
Surplus	13,234 74
	$141,611 80

Applicant's real estate consists of lots 8 and 9, tract 2900, in the central part of the city of Long Beach. Located on the property is a brick building 100 feet by 120 feet, which is used as an office, garage and car barn. Applicant paid for this property $23,973.47.

Applicant operates twenty-three automobile stages, all of which were purchased new in April, 1920. The equipment consists of specially constructed bodies, with a seating capacity of thirty persons, placed upon Moreland trucks.

The company has an exclusive franchise to operate over certain streets in the city of Long Beach. For this franchise it actually paid the city $21,000 and expended $873.38 additional for advertising.

Applicant asks permission to use the proceeds from the sale of the $200,000 of stock for the following purposes:

To pay indebtedness consisting of—	
Notes payable	$16,000 00
Mortgages	13,844 00
Loans from applicant's officers	79,252 84
Accounts payable	19,277 22
To reimburse its treasury for money expended out of income	13,235 74
To provide funds for additional property and franchises	58,390 20
Total	$200,000 00

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Applicant has issued no stock except three shares necessary to qualify directors. Practically all of the moneys invested in applicant's business represents loans or surplus earnings.

The company asks permission to issue $58,390.20 of the proceeds from the sale of the stock to acquire additional equipment and franchises. Applicant was not in a position to advise the Commission definitely as to either the cost of the equipment or franchises. The order herein will therefore provide that the $58,390.20 shall be deposited in a special fund and expended only for such purposes as the Commission may hereafter authorize by a supplemental order or orders.

I herewith submit the following form of order:

ORDER.

B. and H. Transportation Company, having applied to the Railroad Commission for permission to issue stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be secured thereby is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expense or to income;

It is hereby ordered, that B. and H. Transportation Company be and it is hereby authorized to issue and sell at not less than par, on or before March 30, 1921, $200,000 of its common capital stock.

The authority herein granted is subject to further conditions as follows:

1. Of the proceeds authorized from the sale of the stock $128,374.06 may be expended by applicant to pay the indebtedness referred to in this application, and $13,235.74 to reimburse its treasury on account of surplus earnings invested in its property and business.

2. All remaining proceeds shall be deposited in a special fund, and expended only upon supplemental order or orders from the Railroad Commission.

3. Applicant shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

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DECISION NO. 8371.

BOARD OF TRUSTEES OF CITY OF CALIPATRIA

vs.

HOLTON POWER COMPANY.

Case No. 1398.

Decided November 26, 1920.

EXTENSIONS—ELECTRIC SERVICE—RULES GOVERNING.—An electric utility will be expected to construct extensions in accordance with rules and regulations as approved by the Railroad Commission and the existence of prior contracts with reference to extensions will not be considered as just grounds for the establishment of discriminatory rules in one particular district as against consumers of the utility in other districts which it serves. Other matters complained of being satisfied, complaint dismissed.

H. H. Myers, for Complainant.

E. B. Criddle, for Defendant.

BY THE COMMISSION.

OPINION.

This is a proceeding instituted by city of Calipatria seeking to require Holton Power Company to make electric extensions for service in accordance with the terms of a certain agreement between Holton Power Company and Imperial Valleys Farm Lands Association, and for other changes in extension rules of defendant.

A public hearing in this matter was held in Calipatria before Examiner Westover.

It appears that Imperial Valleys Farm Lands Association entered into a contract with Holton Power Company, dated April 1, 1914, in which the latter agreed to extend its distribution system and give electric service to any applicants within or without the townsite of Calipatria, when and as requested by Imperial Valleys Farm Lands Association, provided, however, that when necessary to construct an extension of a distance in excess of 250 feet for each applicant, the cost of such excess construction be paid for by the applicants requesting the service.

Holton Power Company claims that it has been making all electric extensions for service in Calipatria and elsewhere in accordance with the rules and regulations authorized it by the Railroad Commission.

The rules authorized by this Commission under which Holton Power Company makes extensions are different in many respects from terms of the contract between Holton Power Company and Imperial Valleys Farm Lands Association. The differences are such that it is not possible to state which would be the more advantageous to the applicant for service for any particular extension unless complete and full information regarding that extension is known.

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In its complaint the city of Calipatria further requests that this Commission require Holton Power Company to make service extensions upon more favorable terms than now prevail; that Holton Power Company be required to supply certain consumers without payment of extension advance deposits; that rules governing installation charges within the city of Calipatria be separately approved by this Commission in individual cases before the applicant is required to pay the same; and that a definite limit of time be fixed within which Holton Power Company shall make installations after applications are made.

From evidence submitted in this matter it is shown that Holton Power Company has been following the rules laid down by this Commission and not the requirements of the contract with Imperial Valleys Farm Lands Association. The contract may have been proper under the conditions existing at the time of its making, but we can see no occasion for requiring Holton Power Company to make extensions in Calipatria other than in accordance with its rules and regulations authorized by this Commission. And, further, this Commission can not, without discrimination against other consumers or applicants, require Holton Power Company to make extensions for electric service in Calipatria under different terms than prescribed by its approved rules and regulations.

This Commission, therefore, must deny the request of city of Calipatria in so far as it relates to the establishment of extension rules which differ from the rules of Holton Power Company heretofore approved by this Commission.

As to the further request of complainant that Holton Power Company submit to the Commission for approval all applications for extensions in which the applicant is required to make an advance payment to the power company, this Commission does at present, and has since June, 1919, required Holton Power Company to submit data setting forth complete information regarding all applications for extensions requiring any advance to the power company from an applicant, and the approval of this Commission is required before Holton Power Company may proceed with the construction or require any advance from the applicant for same. This portion of the complaint is therefore without foundation in fact.

The evidence does not show that unreasonable delay has occurred in the construction of extensions applied for.

ORDER.

City of Calipatria having filed complaint as to electric extension practices of Holton Power Company, a hearing having been held, the matter being submitted and now ready for decision:

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The Railroad Commission of the State of California hereby finds as a fact that the rules and regulations of Holton Power Company for electric extensions heretofore approved by the Commission are just and reasonable rules and regulations for extensions within city of Calipatria and in all other territory supplied by Holton Power Company.

Basing its order on the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that this proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

DECISION NO. 8372.

IN THE MATTER OF THE APPLICATION OF RAYMOND TELEPHONE COMPANY FOR PERMISSION TO DISCONTINUE ABOUT FIVE MILES OF UPPER END OF LINE NUMBER EIGHT AND ABOUT TEN MILES OF UPPER END OF LINE NUMBER TWELVE.

Application No. 5194.

Decided November 26, 1920.

TELEPHONE SERVICE—TEMPORARY ABANDONMENT OF.—A telephone company which operates in a mountainous territory where it is difficult if not impossible to maintain service during the winter months, is permitted to abandon certain of its lines during the period November 1 of each year to March 31 of the following year.

James Barcroft, for Applicant.

O. L. Everts, for "The Pines" Resort at Bass Lake, Protestant.

BY THE COMMISSION.

OPINION.

In this proceeding Raymond Telephone Company asks authority to permanently abandon and discontinue service over portions of two of its present telephone lines in Madera County.

A public hearing on the application was held by Examiner Westover at Madera on March 9, 1920.

It is proposed to abandon three and six-tenths miles, represented by applicant to be about five miles, of the upper end of line known as No. 8 between Hawkins School House and Fresno Flats, and about ten miles of the upper end of line known as No. 12 between Hawkins School House and "The Pines," a summer resort located at Bass Lake.

It appears from the testimony that there is at present only one subscriber now served from that portion of line No. 8 which it is proposed to abandon and that the revenue arising out of its use is not sufficient to justify the cost of its maintenance. For the year 1919, when there were eight subscribers served from this section of line,

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receipts from its operation are reported to have been $30 from subscribers and $10.23 in toll service, a total of $40.23, with a maintenance expense of $29.30. With only one subscriber now remaining and paying $1.50 per month for service receipts hereafter would be less than the cost of operation if business of the year 1919 were taken as a basis.

The testimony relating to the abandonment of the upper portion of line No. 12 shows total receipts for the year 1919 amounting to $80.09 and maintenance expenses amounting to $92.90. It appears, however, that in addition to one other subscriber who is dependent on this section of line for service, there is also The Pines Resort with accommodations from May 1 to November 1 of each year for about 275 guests, and during this season it is important that telephone service be available.

The discontinuance of service over that portion of line No. 8 which it is proposed to abandon having been protested since the hearing, further investigation has revealed that at Fresno Flats line No. 8 connects with a Forest Service line extending from that point to Burford Station, at and about which there is a considerable section which is dependent to a considerable extent on this line for telephone service to and from outside points. From a statement of revenues and expenses from January 1 to September 26, 1920, submitted since this investigation, it appears that the total receipts, including toll revenues from Burford Station, were approximately $22 in excess of the total maintenance expense, and approximately $10 in excess of the maintenance expense for the entire year 1919. From this it appears that this service should not be withdrawn. Applicant has consented that this statement be considered in evidence in this proceeding.

It appears further from the testimony that the greater part of the cost of maintaining these two sections of line is incurred during the winter months; that the section of country through which these lines extend is mountainous and at times it is impossible, on account of heavy snows and storms, to maintain them, and that it is for these reasons chiefly, that permission to abandon them is desired.

It has been agreed by applicant to maintain line No. 12 to The Pines during the summer season. Protestant, The Pines Resort, does not object to abandonment during the winter months.

It is our opinion that applicant should be permitted to abandon service on both of these lines between the points hereinabove referred to from November 1 of each year to March 31 of each following year.

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but that authority to abandon service during the remaining portion of each year should be withheld. The following order is recommended:

ORDER.

Raymond Telephone Company having applied for an order authorizing it to discontinue service over portions of two of its telephone lines in Madera County, a public hearing having been held, the matter having been submitted and being now ready for decision;

It is hereby ordered, that said Raymond Telephone Company be and it is hereby authorized to discontinue service over its line known as No. 8 between Hawkins School House and Fresno Flats, and over its line known as No. 12 between Hawkins School House and The Pines, during the period beginning November 1 of each year and ending March 31 of each following year.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

DECISION No. 8373.

IN THE MATTER OF THE APPLICATION OF WALKUP DRAYAGE AND WAREHOUSE COMPANY FOR AN ORDER AUTHORIZING ISSUANCE OF CAPITAL STOCK.

Application No. 6249.

Decided November 26, 1920.

Heller, Powers and Ehrman, by *Samuel L. Stevens,* for Applicant.

MARTIN, *Commissioner.*

OPINION.

Walkup Drayage and Warehouse Company asks permission to issue and sell, at not less than par, $50,000 of common stock for the purposes herein indicated.

Walkup Drayage and Warehouse Company was organized in October, 1920, with an authorized stock issue of $100,000, divided into 1000 shares of $100 each. The company has entered into a lease for a term of ten years, beginning November 1, 1920, with Ondawa Company at a monthly rental of $2,160 for the southern section of the new five-story concrete building just being completed at the corners of Bryant, Rincon and Federal streets in the city and county of San Francisco.

In Exhibit "A" applicant reports the estimated cost of equipment, materials and supplies necessary to establish its warehouse and drayage business at $29,548.20. The equipment, material and supplies consist of two McDonald tractors, three auto cars, one Reo Speed wagon, scales, hand trucks, flat cars and other minor items. The $29,548.20 includes no allowance for the cost of applicant's lease. Some of the

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equipment which applicant intends to acquire will be used in its drayage business. The record shows that applicant does not expect its public utility business to earn a return on its investment in non-public utility properties. The order herein will require applicant to file a stipulation to that effect.

At the time of the hearing on this application, applicant was not in a position to advise the Commission definitely as to the purposes for which it intends to use $20,451.80 obtained from the sale of stock. The order will provide that all proceeds from the sale of stock in excess of $29,548.20, reported as the estimated cost of equipment, materials and supplies, be expended only for such purposes as the Railroad Commission may hereafter authorize by a supplemental order or orders.

I herewith submit the following form of order:

ORDER.

Walkup Drayage and Warehouse Company having applied to the Railroad Commission for authority to issue and sell $50,000 of stock, a hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock and disbursement of proceeds hereinafter authorized is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Walkup Drayage and Warehouse Company be and it is hereby granted authority to issue and sell for cash at not less than par, $50,000 of its common capital stock.

The authority herein granted is subject to further conditions as follows:

1. The proceeds from the sale of the stock herein authorized, in the amount of $29,548.20, may be used by applicant to pay for the equipment, materials and supplies enumerated in applicant's Exhibit "A." The remainder of the proceeds shall be expended only for such purposes as the Railroad Commission may authorize by a supplemental order or orders herein.

2. The authority herein granted will not become effective until Walkup Drayage and Warehouse Company has filed with the Railroad Commission a stipulation duly authorized by its board of directors declaring that Walkup Drayage and Warehouse Company, its successors and assigns, will never urge the Railroad Commission, or other public body having jurisdiction, to include in a rate base such an amount of the proceeds obtained from the sale of stock herein authorized as

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may be invested by Walkup Drayage and Warehouse Company in non-public utility properties, and a supplemental order made reciting that such stipulation satisfactory in form has been filed in this proceeding.

3. Walkup Drayage and Warehouse Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock as may be issued and sold on or before March 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

DECISION No. 8374.

IN THE MATTER OF THE APPLICATION OF COLBERG MOTOR BOATS FOR AUTHORITY TO INCREASE FREIGHT AND PASSENGER RATES.

Application No. 6142.

IN THE MATTER OF THE APPLICATION OF DELTA TRANSPORTATION COMPANY FOR AUTHORITY TO INCREASE FREIGHT AND PASSENGER RATES.

Application No. 6169.

Decided November 26, 1920.

RATE INCREASES—DUPLICATE SERVICE—RATE OF RETURN.—In connection with applications of competing boat lines for permission to increase rates, the Commission holds that where it is shown that competition has developed a duplication of facilities not used or useful in the public service, the public should not be required to pay rates which will provide a return upon such investment. Increases in operating costs justifying the granting of present applications in part, applicants authorized to establish increase in rates of 25 per cent, using the tariffs both freight and passenger of the Colberg Motor Boats as a basis.

Chickering and Gregory, by *W. C. Fox*, for Colberg Motor Boats.

Sanborn and Roehl, by *H. H. Sanborn*, for Delta Transportation Company.

BY THE COMMISSION.

OPINION.

Applicants herein are common carriers of freight and passengers between Stockton and points on the San Joaquin, Sacramento, Mokelumne, Old and Middle rivers and their tributaries, the freight representing 20 per cent and the passenger 80 per cent of this business. The service is more or less specialized, having been established

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and developed primarily to meet the demands of local growers and shippers for transportation of men and supplies in the so-called San Joaquin Delta District.

Prior to 1918 Colberg Motor Boats was practically the only carrier of passengers and freight between the numerous landings, the exception being an occasional individual carrier competing for a time but, for one reason or another, failing to maintain a permanent service.

The Colberg service has grown from one small boat operated in 1898 to the present fleet of thirteen carrying vessels and four arks, the latter conveniently stationed and used for commissary and sleeping quarters. These properties, together with other necessary equipment in use, have, it is claimed, a reproduction value of $112,175.

About August, 1918, Delta Transportation Company, with a fleet of six new vessels designed for fast express and passenger service and equipped with modern machinery and high power engines, inaugurated a competitive and more extended service materially affecting the revenues of the older utility, but not sufficiently strong to force competition from the field or attract to itself the major portion of the business. This carrier now has seven vessels in commission, including two under lease, one of the original six having been destroyed by fire in 1919. The five remaining boats owned by the company have a passenger carrying capacity of 100 each, and represent an alleged total outlay of $90,000.

Although the record shows that the service of Delta Transportation Company was established in August, 1918, its tariffs were not filed with the Railroad Commission until April, 1919. Whether the rates and fares carried in the existing schedules of this company are identical with those in effect between August, 1918, and April, 1919, does not appear from the facts developed. Passenger schedules filed by Colberg Motor Boats in December, 1912, are still in effect. Substantially the same passenger fares were filed by Delta Transportation Company in 1919. The present freight rates of applicants differ materially. In a total of 64 commodity items carried in the tariffs of both companies, rates applicable to 30 are identical; in 22 instances the Colberg rates are higher, and in 12 cases lower than those of the Delta company. On some important commodities the difference in rates of the two carriers, for practically identical service ranges as high as 100 per cent. Colberg Motor Boats charge 25 cents per 100 pounds for seeds in sacks; Delta Transportation Company 50 cents for the same service, while both carriers ask the Commission to authorize a rate of $1.50 per 100 pounds. Under the Colberg tariff, bread in packages weighing 20 pounds or less carries a rate of 20 cents per package; the Delta company charges 10 cents for this service, and,

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again, both utilities request an increase on this commodity to 50 cents per package. These examples are cited to show the extremes existing in the present rate adjustment.

It is proposed in the applications to establish a system of rates and fares that will meet increases in operating costs and reduce the existing deficits. A check of the exhibits submitted with the applications shows that the new passenger rates, would, if authorized, be 100 per cent higher than fares now in effect over the principal routes; in other instances the increase would be from 50 to 200 per cent above existing fares. The proposed freight rates carry even higher percentages of increase, being in the main 100 per cent, but in a few instances are 400 per cent above present rates.

A hearing on the applications was held at San Francisco on October 11, 1920, a number of witnesses testifying as to increased operating costs which have developed from time to time. These increases related chiefly to fuel and labor, the former having been purchased prior to 1920, in the form of distillate, at 11 cents to 12 cents per gallon, whereas the present cost per gallon, in the form of gasoline, is 27 cents. Considerable irregularity in the matter of wages paid to employees was indicated by the testimony, but where certainty as to time and amount of increases could be fixed by witnesses, they appeared as follows:

	1919	1920
Master mechanic, per month	$175 00	$225 00
Captains of vessels, per month	150 00	175 00
Machinist, per day	6 00	7 00
Boat labor, per day	6 50	7 50

The Colberg Motor Boats is a fictitious name, and the property is owned and operated by a partnership consisting of W. C. Colberg and Henry Colberg of Stockton. This partnership also operates a shipyard, and in the past years no comprehensive system of bookkeeping has been maintained separating the utility from the non-utility business, the result being that the annual reports filed with this Commission are not a true presentation of the actual profits or losses sustained by the boat line common carrier. In order to have a better understanding of the results of this applicant, the Commission had its auditing department make a check of the books of the company, beginning with the year 1917. This audit, from the best data available, showed that without any allowances for depreciation or return on investment that the boats earned a profit of $17,191.01 in 1917; $3,923.61 in 1918; $7,813.54 in 1919, and a loss of $7,220.90 in the first six months of 1920, or a total operating profit for the three and one-half year period of $21,707.26.

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The claimed depreciation during this time was $24,596.66, creating an actual loss of $2,889.40 during this three and one-half year period. The company has no bonded or other form of indebtedness and the deductions therefore did not include any return whatever for interest on investment.

Using the actual results for the first six months and estimated for the second six months of the year, the company will operate at a loss of approximately $20,000 under the rates now in effect.

The boats are being operated at about 50 per cent of their capacity, run on regular schedule, and there are from two to three boats in reserve to be used in case of emergency. The company sets forth in its application that the original cost of all equipment was $83,375 and that the present estimated reproduction value, as heretofore stated, is placed at $112,175. The company owns no real estate or buildings, its entire investment being in boats and arks. It seems apparent that had the operation of the boats been entirely independent of the shipyards, and correct account system kept by the partners, that the service to the public would have been materially curtailed following entry of the competing carrier into the field.

The Delta Transportation Company failed to file any reports with this Commission, the only operating data available furnished by the company is in the form of exhibits submitted at the hearing. The exhibits indicate a disastrous beginning in August, 1918, and show an operating loss during the first five months of operation, August to December, 1918, of $4,664.03. For the year ending December 31, 1919, there was a loss of $30,536.62 and for the eight months of 1920 the loss was $22,506.89, or a total loss since the beginning of operations on August 1, 1918, of $57,747.54, and this loss does not include any depreciation or return upon investment.

Under the proposed rates this applicant estimates that a total of $23,804.97 additional revenue would have been realized for the first eight months of 1920 but that such additional amount less marine insurance and a return upon the investment, exclusive of depreciation, would still be $9,475.25 less than sufficient to give a full return upon the property investment and provide for the necessary depreciation. A check of the books of this applicant was also made by our auditing department, and while the segregated amounts differ somewhat from the exhibits filed, the final net result is practically the same and it will therefore be unnecessary to enter into all of the details of income and expenses. At no time since the commencement of operation in 1918 have the boats of this line operated at a profit. In the year 1919 there was a strike of the boat employees and no service was rendered

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during August and September. Partial service was resumed in October but only a limited number of boats were operated until January 1, 1920, when the strike was settled and regular service resumed, but even had this strike not occurred, the operations would not have been profitable. The boats of this company are like those of Colberg, only carrying a small percentage of their capacity.

The services rendered by the two applicants is essentially for the carrying of passengers, the freight handled is in limited quantity, and represents only about 20 per cent of the total revenue.

Here we have one utility voluntarily going into a field well served by a similar utility at rates satisfactory to both itself and its patrons, as indicated by affirmative testimony, by the absence of complaints, and by its hitherto profitable operations.

This Commission is asked to untangle a traffic situation which it was unable by reason of limitations of the law to prevent, and to authorize a system of rates guaranteeing a reasonable return on the duplicate investments. The testimony, the exhibits, and the reports made by our accountants, indicate quite clearly that the service could be given to the public by one operating company with rates but slightly in excess of those now in effect, resulting in a profit to the one organization. It is also clear to the Commission that two companies can not be properly maintained even at the excessive rates demanded in these applications, it being freely admitted by the Delta company that if the same volume of business moved at the increased rates as was handled under the rates now in effect by it, that it would still be operating at a heavy loss. The same situation is true of the Colberg boats.

In Case No. 534, etc., Decision No. 1778, September 4, 1914, (Vol. 5, Opinions and Orders of the Railroad Commission of California, pages 361–366) the Commission employed the following language:

> Two competing lines driving down the rates to a point lower than would otherwise exist now apply to this Commission for an increase in rates on the ground that the duplication of facilities on the San Joaquin River has made it impossible for either line to secure sufficient traffic to make its business profitable. Hence, the rates of both lines must be increased and the measure of the increase is determined by the alleged losses of the two lines. I assume if a third line should enter this transportation field and thereby further divide the business, that it would be urged that the still less heavily laden crafts should be permitted to raise their rates still more because of the unnecessary additional investment. The situation here presented gives us both the evils of monopoly and the evils of competition with none of the advantages of either. A single set of facilities in a natural monopoly field tends to reduce to the minimum the amount of the investment upon which an earning shall be allowed, and, likewise, tends to work to capacity the facilities devoted to the business. Unregulated, however, the agency in control of such a single set of facilities tends to take all it can get from its patrons. On the other hand, duplication of facilities, when actual competition exists, tends to induce those in control of such facilities to take the minimum which it is necessary for them to secure and still carry on the business. In the case before us, however, we have the admitted duplication entailing the use of

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surplus facilities and the working of these boats at much less than maximum capacity and still we are asked to raise these rates and impose upon the public the burden which is necessary to pay an earning upon the entire property. The public can not be expected to accept the evils both of competition and monopoly and even though it appeared here that, by reason of the working of these boats at a less than maximum efficiency, an adequate earning were not produced, it would not be necessary for public authority, under well established principles, to permit an increase, because it is the rule that the public may not be required to give a return upon facilities that are not necessary in the service of such public.

We believe the conclusion reached in the case referred to is sound and should not be deviated from.

It was admittedly impossible, even under the numerous increases proposed, for applicants to operate the competing vessels at a profit and set up proper depreciation for retired worn out equipment.

It is our conclusion that the application should be denied in as far as the granting of the specific schedule of rates is concerned. We are, however, of the opinion that the increase in operating expenses justifies an increase in the rates now in effect and the applicants will be authorized by appropriate order to increase the rates by 25 per cent, using the tariffs, both freight and passenger, of the Colberg Motor Boats, as a basis. In making the rates, the same will be rounded out to the next full cent. Applicants may also cancel the rates and routes over which no traffic is being handled.

ORDER.

Colberg Motor Boats and Delta Transportation Company, common carriers of freight and passengers, having applied to this Commission for an order authorizing rate increases, a public hearing having been held, the matter having been duly submitted, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the existing rates and fares of applicants are unjust and noncompensatory and that the rates herein authorized are just and reasonable.

Basing its order upon the findings of fact herein and upon facts and figures set out in the opinion preceding this order;

It is hereby ordered, by the Railroad Commission of the State of California, that Colberg Motor Boats and Delta Transportation Company be and they are hereby authorized to publish and file tariffs containing rates 25 per cent higher than those now in effect in the freight and passenger tariffs of the Colberg Motor Boats. In figuring rates, same may be rounded out to the next full cent. Routes may be rearranged in accordance with the application and where the tariffs contain rates not used the same may be canceled.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

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DECISION NO. 8375.

IN THE MATTER OF THE APPLICATION OF THE WHITE LINES TO FILE TARIFF SHOWING INCREASE OF FREIGHT RATES BETWEEN STOCKTON, MERCED, FRESNO AND INTERMEDIATE POINTS.

Application No. 5885.

Decided November 26, 1920.

W. J. Quinn, for Applicant.

BY THE COMMISSION.

OPINION.

The White Lines, a corporation, applies for authority to increase rates on freight transported by motor trucks between Stockton, Merced, Fresno and intermediate points.

A public hearing upon the application was held by Examiner Westover at Stockton.

Present rates and the proposed rates are shown below:

	From Stockton to					
	Modesto		Merced		Fresno	
Class	Present	Proposed	Present	Proposed	Present	Proposed
1 ---	$0.30	$0.37	$0.36	$0.46	$0.69	$0.75
2 ---	0.26	0.32	0.32	0.41	0.51	0.64
3 ---	0.22	0.27	0.29	0.36	0.42	0.54
4 ---	0.20	0.24	0.25	0.33	0.39	0.49

Minimum charge	Present	Proposed
To 50 lbs...	$0.40	$0.50
51 to 60 lbs.	0.40	0.55
61 to 70 lbs.	0.40	0.60
71 to 80 lbs.	0.40	0.65
81 to 90 lbs.	0.40	0.70
91 to 99 lbs.	0.40	0.75

Applicant also requests leave to make changes in its classification, which will bring it to about the classification used by the rail carriers in this territory. The proposed rates include store door pick up and delivery and are about 25 per cent higher than rail rates in the territory served, which includes 23 cities and towns and a total distance of 123 miles between Stockton and Fresno.

Applicant shows revenue and operating expenses (including depreciation on trucks at 2 per cent a month and on trailers at 3 per cent a month) as follows:

Revenue and Expenses.

	Jan. 1-July 1 1919	Jan. 1-Aug. 1 1920	July 1919	July 1920
Revenue	$25,465 42	$22,311 18	$2,604 47	$2,624 08
Expenses	53,019 98	55,194 68	4,845 85	8,283 98
Deficit	$27,554 56	$32,883 50	$2,241 38	$5,659 90

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Applicant's present rates were established by its Supplement No. 1 to C. R. C. No. 1, effective June 24, 1919. Since the effective date of its present rates it shows heavy increases in cost of gasoline, oils, tires and wages.

It will be noticed that revenue for July, 1919, and July, 1920, is approximately the same, while operating expenses have increased nearly 75 per cent. It is very apparent, however, that applicant's showing of increase in unit costs of operating expense does not account for much of the increase. No doubt a considerable portion of it will be found by applicant to be due to various items of overhead expense incident to the establishment of a new business which are properly chargeable to development cost and not to operating expense, which it may be able to reduce or eliminate as the result of fuller experience. It is apparent that without reduction in overhead expense and increase in revenue even the increased rates applied for will not justify continued operation.

Notice of the hearing was given to Southern Pacific Company, The Atchison, Topeka and Santa Fe Railway Company and American Railway Express, all operative in applicant's territory, and also to the Chambers of Commerce of Stockton, Modesto, Merced and Fresno. Neither of them, however, were represented at the hearing and no objection to increasing the rates has been lodged with the Commission.

Applicant operates a daily rapid service with 13 trucks (5 of which are used for pick up and delivery and 3 in reserve most of the time) and with 18 trailers. It appears to be endeavoring to give high-class service, and being undoubtedly in need of financial relief we grant the application.

ORDER.

A public hearing having been held upon the above entitled application, the matter being submitted and being now ready for decision:

It is hereby found by the Commission that the present rates of applicant are inadequate and noncompensatory and that the rates hereinafter referred to are just and reasonable rates.

Basing its decision herein upon the above finding of fact and upon all of the findings of fact contained in the opinion preceding this order;

It is hereby ordered, that the White Lines, a corporation, be and it is hereby authorized and empowered to put into effect upon one day's notice after publication and posting at all its stations and filing with the Commission the rates and classification shown in its Exhibit "A" attached to and made part of its above described application.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

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DECISION No. 8376.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES PUBLIC SERVICE CORPORATION FOR AUTHORITY TO RENEW A CERTAIN NOTE.

Application No. 6223.

Decided November 26, 1920.

Murray Bourne, for Applicant.

MARTIN, *Commissioner*.

ORDER.

Midland Counties Public Service Corporation having applied to the Railroad Commission for permission to issue a $35,000 note in renewal of a note for a like amount issued pursuant to the authority granted in Decision No. 5134 dated February 18, 1918, a public hearing having been held, and the Railroad Commission being of the opinion that applicant's request should be granted subject to the conditions of this order: now, therefore,

It is hereby ordered, that Midland Counties Public Service Corporation be and it is hereby authorized to issue its 6½ per cent promissory note for the sum of $35,000 to A. C. Balch, trustee, said note to be issued for a term of one year or less, and for the purpose of paying or refunding the note referred to in this application.

The authority herein granted is subject to further conditions as follows:

1. Applicant may, if it so desires, issue the note for a period of less than one year from the date of this order, or from the date of the maturity of the note to be refunded, and renew said note from time to time, provided that the combined terms of the note herein authorized and those issued in renewal thereof shall not exceed one year.

2. Applicant shall file with the Railroad Commission a statement, as required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

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DECISION NO. 8378.

SMART AND FINAL COMPANY, A CORPORATION,

vs.

THE PACIFIC STEAMSHIP COMPANY, A CORPORATION.

Case No. 1479.

Decided November 26, 1920.

EVIDENCE—INTERVENTION—WHEN NOT PERMITTED.—A petition for permission to intervene in a complaint against rates on sugar San Francisco to Wilmington-Los Angeles is denied, when it is shown that the prospective intervenor proposes to bring into question rates other than those attacked in the original complaint.

It not having been shown by the testimony that the rates of defendant company San Francisco to Wilmington or Los Angeles are excessive or unreasonable, nor that discrimination exists in favor of Los Angeles as against Wilmington, and it also being shown that the rail competition that defendant is required to meet between San Francisco and Los Angeles justifies the existing low differential of one-half cent per hundred pounds on sugar between Los Angeles and Wilmington, complaint dismissed.

Scarborough, Forgy and Reinhaus, by *Mr. Reinhaus*, for Complainant.

Groscup and Morrow, by *W. A. Johnson*, and *McCutchen, Willard, Mannon and Green*, by *Allan P. Matthew*, for Defendant.

F. P. Gregson, for Intervenors.

C. F. Waite, representing San Pedro Chamber of Commerce.

O. T. Helpling, representing San Pedro-Wilmington Joint Traffic Association.

LOVELAND, *Commissioner*.

OPINION.

Complainant is a corporation engaged in the wholesale grocery business, with a branch office and warehouse at Wilmington, Los Angeles County.

By this proceeding, filed August 13, 1920, it is alleged that the rate on sugar, in carload quantities, moving from San Francisco to Wilmington by defendant's steamers, is discriminatory and unreasonable in favor of Los Angeles and against Wilmington.

The warehouses of complainant were established at Wilmington in November, 1915, by reason of the harbor facilities and the fact that the steamship rates at that time were lower than the rates to Los Angeles. Wilmington is on the Los Angeles harbor about twenty miles from Los Angeles and in addition to being served by the Pacific Steamship Company, defendant in this proceeding, is also reached by the rails of the Southern Pacific Company, the Pacific Electric Railway and the Los Angeles and Salt Lake Railroad with which railroads joint rates are in effect.

The evidence indicates that the main contention is, not that the rate is unreasonable *per se*, but that Wilmington being on the harbor should have a wider differential against Los Angeles than exists under the present adjustment.

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Complainant alleges that the present rate places it at a disadvantage in competition with Los Angeles wholesale grocers and refers to the fact that during the past few years the differential existing between Wilmington and Los Angeles has been gradually narrowed by the rate adjustments and the increases brought about by the federal government during the period of the war and by reason of the situations created by the war, until today, when all of the elements are taken into consideration, the Wilmington rates are very close to those applying from San Francisco to Los Angeles.

The following table contrasts rates on sugar, carloads, from San Francisco to Los Angeles with the rates to Wilmington on the dates shown. The rates are stated in cents per 100 pounds.

	Los Angeles	Wilmington
June 24, 1918	17½	13¾ A
June 25, 1918	22	17 A
May 15, 1919	21½	17 A
November 8, 1919	23½	24 B
January 16, 1920	23½	23 C
August 26, 1920	29½	28 D

A—Rate as published includes wharfage and handling charges.
B—Freight rate 21 cents, plus 3 cents wharfage and handling.
C—Freight rate 20 cents, plus 3 cents wharfage and handling.
D—Freight rate 25 cents, plus 3 cents wharfage and handling.

The table set forth above shows that Wilmington had a differential over Los Angeles of 3¾ cents per 100 pounds on June 24, 1918; five cents per 100 pounds on June 25, 1918; 4½ cents per 100 pounds on May 15, 1919, and was at a disadvantage of one-half cent per 100 pounds on November 8, 1919. The adjustment on this latter date was a mistake in tariff publication, which was corrected January 16, 1920, giving Wilmington a differential of one-half cent per 100 pounds. On August 26, 1920, when all freight rates were again readjusted, following the decision of the Interstate Commerce Commission and of this Commission, in conformity with the provisions of the Transportation Act, the differential in favor of Wilmington was increased to 1½ cents per 100 pounds, or 30 cents per ton, which adjustment is now in effect.

The evidence of defendant showed that the rates on sugar from San Francisco to Wilmington and to Los Angeles are influenced to a very great extent by the rates of the rail carriers operating between San Francisco and Los Angeles-Wilmington. The rail carriers provide industrial switching service at both terminals and there is no charge in addition to the published rate, while the rates published by the steamship lines to Wilmington and Los Angeles do not include certain terminal expenses, state toll and marine insurance, which the shipper is required to pay in addition to the published transportation rates.

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The records show that approximately 90 per cent of the tonnage passing through Wilmington in connection with the Pacific Steamship Company is destined Los Angeles.

Prior to November, 1919, the wharfage and handling charges were included in the Wilmington rates and the separate charges were established by reason of the increased operating costs, which made it impossible for the boats to continue the absorption of these costs in the transportation rates to Wilmington.

The records of this Commission disclose that the Pacific Steamship Company has not been operating at a profit in the handling of its coastwise intrastate traffic, and during the war period was permitted to increase rates to meet existing conditions. After an exhaustive hearing and an investigation, this Commission, under date October 27, 1919, Decision No. 6794, Application No. 4986, authorized increases in defendants rates, and, as before stated, further advances were authorized on August 26, 1920, when a general increase in all rates of 25 per cent went into effect.

It is claimed that the coastwise traffic at the present time is not profitable under the high operating costs and limited tonnage and that were it not for the rates maintained by rail competitors the present schedules would not be continued.

The San Pedro Chamber of Commerce filed at the hearing an application in intervention and endeavored to enlarge the original complaint by calling into question all of the freight rates of this defendant applying to Wilmington, alleging discrimination in favor of Los Angeles. Objection was made to enlarging the issues and this application to intervene was denied.

The Associated Jobbers of Los Angeles filed prior to the hearing its petition of intervention, based on the grounds that it was interested in the maintenance of just, reasonable and nonprejudicial rates on sugar from San Francisco to Los Angeles. By the testimony of a witness it was shown that in many ways the jobbing firms at Los Angeles were at a disadvantage in competing for business with the firms located at Wilmington; also that in the territory adjacent to Wilmington, especially the beach cities, such as Redondo, Long Beach and San Pedro, the Wilmington jobbers had a decided rate advantage over Los Angeles whether the sugar moved by rail or by auto trucks.

The rate of the Southern Pacific Company on sugar in carload lots from San Francisco to Los Angeles was made 35 cents per 100 pounds on August 26, 1920, while the rate of the Pacific Steamship Company and its rail connections on the same date became 29½ cents per 100 pounds, a differential of 5½ cents per 100 pounds. A witness for defendant testified that this small difference in rates between the

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all-rail and the water and rail route made it difficult to secure the tonnage to the water route, by reason of the fact that in addition to the transportation charge of 29½ cents the shipper must assume the terminal charge at San Francisco, the state toll and the marine insurance, and that tonnage secured by defendant was due to the expedited service, especially during the periods of car shortage. Under the circumstances, this defendant can not increase the Los Angeles rate and expect to hold any of the traffic against the rate made by the all-rail competitor.

It has not been shown by any of the testimony that the rates to Los Angeles or to Wilmington are excessive or unreasonable, neither is there any positive showing that a discrimination exists in favor of Los Angeles against Wilmington. The distance from San Francisco to Los Angeles is approximately 475 miles and usually rates to the port are lower than to inland points, but where competition exists, such as prevails in this situation, it is not uncommon to find a very low differential on even a blanket of the rates.

At the time this proceeding was filed, August 13, 1920, Wilmington had a differential of one-half cent per hundred pounds in its favor; by the adjustment made August 26, 1920, the differential was increased to 1½ cents per 100 pounds.

Upon all of the facts of record, I am of the opinion and find that the rate attacked is not shown to be unreasonable or unjustly discriminatory. The complaint should be dismissed.

ORDER.

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted, the Commission being fully advised, and basing its order on the finding of fact as contained in the foregoing opinion;

It is hereby ordered, that this complaint be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

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DECISION NO. 8379.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC RAILROAD COMPANY, THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY AND WESTERN PACIFIC RAILWAY COMPANY FOR AUTHORITY TO INCREASE WHARFAGE, WEIGHING, TRIMMING AND HANDLING CHARGES.

Application No. 6292.

Decided November 26, 1920.

LUMBER—HANDLING CHARGES FOR INCREASES IN.—Applicants having applied for permission to increase charges for the handling of lumber from 25 cents to 57 cents per hour on working days and from 40 cents to 83 cents per hour for overtime and holidays, which increases represent the actual cost of such service to the carriers, application granted, it being held that to perform a service at less than the out-of-pocket cost places a burden on other traffic and should not be permitted.

LUMBER SHIPMENTS—MEMORANDUM RECEIPTS FOR.—Lumber having to remain for long periods of time on the wharves during shortage of cars, suggestion made that carriers furnish shippers with memorandum receipts therefor to protect the owner of the lumber until such time as the cars are furnished and transportation by rail actually commences.

Frank B. Austin, for Southern Pacific Company.

S. Moore, Jr., for Western Pacific Railway Company.

G. H. Baker, for Atchison, Topeka and Santa Fe Railway Company.

A. Larsson, for Trower Lumber Company.

H. M. Wade, for Redwood Manufacturers.

LOVELAND, *Commissioner*.

OPINION.

This is an application wherein the Southern Pacific Railroad Company, Western Pacific Railway Company and The Atchison, Topeka and Santa Fe Railway Company seek authority under section 63 of the Public Utilities Act to increase charges assessed for wharfage, weighing, trimming and handling of lumber performed at the different wharves of these carriers located at Oakland, Richmond and San Francisco.

The charges of the Southern Pacific Company are carried in its Terminal Tariff No. 230–H, C. R. C. No. 2477, in item No. 590 at page 27, and provides: Lumber and its products, actual cost of labor, 25 cents per hour regular working days, and 40 cents per hour overtime and holidays. The regular working day is set forth as covering the period from 7 a. m. to 5 p. m. It is proposed to increase these charges to 57 cents per hour for regular working days and 83 cents per hour overtime and holidays, also to change the regular working day from 7 a. m. to 4 p. m.

The charge of the Western Pacific is carried in its Terminal Tariff G. F. D. 35–I, C. R. C. No. 217, in item No. 1200, on page 44, which is practically the same as the tariff of the Southern Pacific Company, except that it does not include wharfage.

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The Atchison, Topeka and Santa Fe Railway Company desires to change its rates at Richmond, Oakland and China Basin, San Francisco. The Oakland items are published in Local and Joint Tariff No. 8117-G, C. R. C. No. 416, at page 33, in item No. 715, and are practically the same as the item published by the Southern Pacific Company in its tariff. The charges at Richmond are carried in the same tariff in item No. 735 at page 35. The Richmond charge, however, is to cover handling only and does not include wharfage, weighing and trimming, which service is included in the charge by the Southern Pacific Company and the Western Pacific at the Oakland wharves.

At San Francisco, the Atchison, Topeka and Santa Fe now makes a charge for handling lumber and its products from ship's tackle or ship's side to cars of 20 cents per ton. This charge is contained in item No. 750 at page 36 of Tariff No. 8117-G, C. R. C. No. 416. It is proposed to change this item from a rate per ton to a flat charge of 62½ cents per 1000 feet board measure.

The testimony of witnesses for all three companies was to the effect that the charges of 25 cents per hour for straight time and 40 cents per hour for overtime and holidays were established a great many years ago when labor was receiving 25 cents per hour and less.

Since the increase in rates brought about by the war, the wages paid by the Southern Pacific Company for stevedoring labor has rapidly advanced, the first change being to 27½ cents per hour in 1917 until it had reached 54 cents per hour for regular working days, 7 a. m. to 4 p. m. and 81 cents per hour after 4 p. m. on regular days and for work performed on Sundays and holidays. The rate now being paid to labor is slightly higher at the Atchison, Topeka and Santa Fe and Western Pacific wharves, where 55 cents and 82½ cents per hour is paid.

By an exhibit, the Southern Pacific Company shows that for the six months period May to October, inclusive, 1920, the actual wages paid for the handling of lumber moving out of Oakland wharf in carload lots was $25,185.74, and that the total handling charges collected for this service were $11,275.89, showing a loss during this six months period of $13,909.85. An exhibit filed by the Western Pacific sets forth that in the handling of two cargoes of lumber at Western Pacific mole, Oakland, August 14 and 15, 1920, the actual cost of labor was $311.30 and the actual charge made for performing the service under the rates now in effect was $63.13, representing an actual labor loss of $248.17. The Atchison, Topeka and Santa Fe presented an exhibit showing that there was a loss of $31.62 in the loading of three cars of lumber at China Basin wharf in the month of April, 1920.

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The Atchison, Topeka and Santa Fe Railway Company has a contract with a stevedoring firm performing the service at China Basin which is approximately 62½ cents per 1000 feet for the loading of lumber, and, for the reason that the conditions are different at San Francisco than they are at Oakland and Richmond, it desires to put the charge on a thousand-foot basis rather than on the basis of labor cost per hour.

We believe that the charge per 1000 feet at San Francisco will be more satisfactory to the lumber shipping interests than is the charge based on the rate per hour. The carriers stated that they desire no profit for performing this accessorial service and that the rates proposed were as near the actual cost as could be arrived at. The slightly higher charge per hour above the actual rates paid to labor is to take care of the overhead expense which at the Oakland wharf of the Southern Pacific Company includes a foreman at $210 per month and clerk at $152.04. The charge for overhead is not as great at the Oakland wharf of the Western Pacific nor at the wharf of the Santa Fe, but there is an overhead expense at all three points in connection with the service.

No lumber is handled at Richmond at the present time and the increase at that point will be only a paper change.

A witness appeared on behalf of a large wholesale lumber company, and while making no direct protest against the change in the loading charges, did object to the practice of carriers in refusing to furnish receipts of any character to cover the lumber while it remains on the wharves after having been discharged from steamers. During periods of car shortage it frequently happens that the lumber will remain on the wharves for a long period of time before cars can be furnished for the loading. This situation is not covered by the application, but it is the suggestion of the Commission that the carriers arrange to furnish shippers with a memorandum receipt to protect the owner of the lumber until such time as the cars are furnished and transportation by rail actually commences.

A description of the charges involved in this application, as now set forth in the different tariffs of applicants, is ambiguous, the Southern Pacific and Santa Fe tariffs reading—

"Wharfage, weighing, trimming and handling charges,"

while the Western Pacific tariff reads—

"Trimming, weighing and handling."

The testimony at the hearing was to the effect that the charge apparently covered the handling of the lumber from the wharves to the car only and that there was no wharfage, weighing or trimming services involved.

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It would appear to the Commission that if the only service rendered is that of handling the lumber, that the item should be clarified and reference to wharfage, weighing and trimming entirely eliminated. It is our recommendation that the language of the item be revised and a description setting forth the exact service to be performed free from ambiguity be submitted to the Commission for its approval before the tariff is reissued.

By our Decision No. 7983 in Application No. 5728, dated August 17, 1920, which followed the decision of the Interstate Commerce Commission in its Exparte No. 74, 58 I. C. C. 220, involving general advance in freight rates, the special services rendered by carriers as shown in the different tariffs were not subject to the general increases authorized and therefore there was no increase in the charges involved in this proceeding wherein rates were increased, effective August 26, 1920. While it is no doubt a fact that the Interstate Commerce Commission based its action in granting the increase in freight rates upon the net operating results shown by the reports, and that these net results reflected the losses sustained in handling lumber involved in this proceeding, it does not follow that a change in these rates should be denied. Otherwise, it would not be possible to reestablish rates on a normal basis.

The record justifies the conclusion that the present compensation is less than the actual cost of the service and that the rates proposed are nothing more nor less than the amounts paid for labor used plus a very small addition to cover the overhead. The service is one which the carrier performs independently of the transportation of the commodity and may be performed by the shipper, if desired.

To permit common carriers to perform a service at less than the out-of-pocket cost, places a burden on other traffic and is a practice which should not be permitted.

The rates proposed are materially lower than those assessed by stevedoring companies handling lumber at other points.

I am of the opinion that the application should be granted.

ORDER.

The Southern Pacific Railroad Company, Western Pacific Railway Company and The Atchison, Topeka and Santa Fe Railway Company having filed applications for authority to increase certain rates, as set forth in the opinion which precedes this order, a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby ordered, that the Southern Pacific Railroad Company, Western Pacific Railway Company and The Atchison, Topeka and Santa Fe Railway Company be authorized to increase the charges for the handling of lumber and its products at Oakland and Richmond, as set

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forth in their different tariffs, from 25 cents per hour regular working days to 57 cents per hour regular working day, which is understood to be from 7 a. m. to 4 p. m., also to increase from 40 cents per hour to 83 cents per hour the charge for overtime and holidays.

The Atchison, Topeka and Santa Fe Railway Company is authorized to increase the charge at China Basin wharf, San Francisco, for the handling of lumber from 20 cents per ton of 2000 pounds to 62½ cents per 1000 feet board measure.

It is hereby further ordered, that the carriers change the description of the item covering these charges in order that the charges may be applied without any misunderstanding as to the service to be rendered.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

DECISION NO. 8380.

IN THE MATTER OF THE APPLICATION OF FEDERAL TELEGRAPH COMPANY, A CALIFORNIA CORPORATION, FOR AN ORDER AUTHORIZING IT TO ISSUE AND SELL FIVE HUNDRED THOUSAND DOLLARS FACE VALUE OF EIGHT PER CENT SERIAL GOLD NOTES.

Application No. 6258.

Decided November 26, 1920.

Hiram W. Johnson, Jr., for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Federal Telegraph Company asks permission to execute a trust agreement and to issue and sell under such agreement at 95 per cent of their face value plus accrued interest, $500,000 of first mortgage 8 per cent serial gold notes and use the proceeds to pay the cost of constructing four wireless telegraph stations.

The record shows that applicant is engaged in a commercial telegraph business, and as such, transmits telegraphic messages between the city of Portland in the State of Oregon, the city of Seattle in the State of Washington, and the cities of San Francisco, Los Angeles and San Diego in the State of California. Applicant is also engaged in the manufacture of wireless instruments and electrical apparatus at its factory at Palo Alto. It reports that at least 80 per cent of the wireless business done in the United States of America is conducted by means of instruments manufactured by it at its Palo Alto factory.

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At the present time applicant conducts its telegraph business over wires leased from The Pacific Telephone and Telegraph Company. On January 12, 1920, without any previous notice, The Pacific Telephone and Telegraph Company notified applicant that on and after February 15, 1920, the use of its full Morse duplex telegraph circuit connecting offices of the applicant in the Hobart Building, San Francisco, with the offices of applicant in the Board of Trade Building, Portland, Oregon, and the use of its full Morse duplex telegraph circuit connecting applicant's offices in the Board of Trade Building, Portland, Oregon, with applicant's offices in Seattle, Washington, would be discontinued. Thereafter applicant filed its complaint in the superior court in and for the city and county of San Francisco, praying for an injunction preventing the discontinuance of the use of said circuit without first giving to applicant such prior notice as was fair, just and reasonable and as would permit applicant with due diligence and dispatch to acquire or construct such other facilities as might be necessary or proper for the continuance of its business and the continued performance and rendition of its service to the general public. Immediately thereafter The Pacific Telephone and Telegraph Company filed its answer and on hearing duly had, the superior court in and for the city and county of San Francisco issued a temporary injunction restraining The Pacific Telephone and Telegraph Company from discontinuing the use of said lines to applicant. The superior court set the complaint down for hearing at an early date thereafter. During the time intervening between the granting of the temporary injunction and the date set for the trial of the action, applicant and The Pacific Telephone and Telegraph Company entered into an agreement adjusting the controversy between them. Under the terms and conditions of this agreement, applicant is required to proceed with due diligence and dispatch to construct and install wireless stations at or near Portland, Oregon, and at or near its factory at Palo Alto, and is given the right to continue the use of the lines of The Pacific Telephone and Telegraph Company until January 1, 1921, or until such further time as applicant's wireless stations may be completed.

The testimony shows that applicant is now engaged in constructing a wireless station near Portland, another station near Palo Alto, and that upon the completion of these two stations, it intends to construct two smaller stations—one at Los Angeles and the other at San Diego, California. The cost of the four wireless stations is estimated by applicant as follows:

Hillsboro Station near Portland	$175,694 00
Marsh Station near Palo Alto	158,719 00
Los Angeles Station	89,500 00
San Diego Station	17,500 00
Total	$441,413 00

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Each of the stations is to be equipped with the highest type of federal radio arc transmitting apparatus, together with all necessary machinery or appliances to make the stations of the highest efficiency.

The $500,000 of 8 percent first mortgage serial gold notes, which applicant asks permission to issue, are to be secured by a trust agreement executed to the Anglo-California Trust Company, trustee. This agreement is to constitute a first lien upon all the company's properties, which it owns on the date the agreement is executed as well as a lien on the properties thereafter acquired. The notes are to be dated November 1, 1921, and are to mature at the rate of $100,000 per annum on November first of each of the years 1923 to 1927, both inclusive. The trust agreement, as originally submitted by applicant, required it to pay into a sinking fund out of current earnings $20,000 during the year ending November 1, 1921, $30,000 during the year ending November 1, 1922, $50,000 during the year ending November 1, 1923, and $100,000 during the years ending November 1, 1924 to November 1, 1927, both inclusive. At the hearing, applicant agreed to modify the trust agreement so as to require it to deposit the sinking fund payments set forth in the agreement without specifying the source from which it shall obtain the moneys necessary to make such payments.

Applicant has no bonded indebtedness. Its current liabilities on September 30, 1920, are reported at $100,768.78. The current liabilities include notes payable of $45,000, which were issued to obtain moneys necessary in connection with the construction of applicant's proposed wireless stations. Applicant asks the Commission for permission to use part of the proceeds obtained from the sale of the notes herein authorized to pay the $45,000 of notes.

Mr. R. P. Schwerin, president of the Federal Telegraph Company, testified that the company had sold the $500,000 of notes at 95 and accrued interest. While the proceeds which applicant will realize from the sale of these notes are in excess of the present estimated cost of applicant's four proposed wireless stations, the testimony shows that applicant intends to issue and sell only such an amount of notes as may be necessary to pay the cost of constructing the wireless stations.

I herewith submit the following form of order:

ORDER.

Federal Telegraph Company having applied to the Railroad Commission for permission to execute a trust agreement and to issue $500,000 of first mortgage serial 8 per cent gold notes, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant and that the expenditures for such

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purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Federal Telegraph Company be and it is hereby authorized to execute a trust agreement substantially in the same form as the amended trust agreement filed at the hearing on this proceeding on November 19, 1920, provided that the approval herein given of said trust agreement is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said trust agreement as to such other legal requirements to which said trust agreement may be subject.

It is hereby further ordered, that Federal Telegraph Company be and it is hereby authorized to issue and sell at not less than 95 per cent of their face value plus accrued interest, $500,000 of its first mortgage serial 8 per cent gold notes.

The authority herein granted is subject to further conditions as follows:

1. The proceeds from the sale of the notes herein authorized, or such portion thereof as may be necessary, shall be used by applicant to pay the cost of acquiring and constructing the wireless stations and apparatus described in this application, or pay indebtedness incurred on account of the acquisition and construction of said stations. Any proceeds not necessary to pay for said wireless stations shall be expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders.

2. Applicant shall file with the Railroad Commission within thirty days after its execution a verified copy of the trust agreement herein authorized to be executed.

3. Federal Telegraph Company shall keep such record of the issue and sale of the notes herein authorized, and of the disposition of the proceeds, as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted will apply only to such notes as may be issued on or before April 30, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

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DECISION NO. 8381.

IN THE MATTER OF THE APPLICATION OF NAPA VALLEY ELECTRIC COMPANY FOR AUTHORITY TO INCREASE ITS RATES FOR ELECTRICITY.

Application No. 5931.

Decided November 26, 1920.

D. L. Beard, for Applicant.

MARTIN, *Commissioner*.

OPINION.

In this proceeding Napa Valley Electric Company, hereinafter referred to as applicant, alleges that its present rates for electricity are insufficient, by reason of the increase in costs of labor and material in its operations, and requests that the Commission establish new rates which will reflect the present level of its operating costs.

Applicant also submits for the consideration of the Commission in connection with an adjustment of its electric rates, the propriety of its earning a return upon the value of a certain electric line which it leases from Snow Mountain Water and Power Company, and the propriety of a reapportionment of certain of its expenses as between its electric business and its gas business.

A public hearing was held in St. Helena, at which time evidence was presented and thereafter a report filed by the Commission's engineering department. Applicant having made its reply to this report, the matter is now submitted and ready for decision.

Referring to the matter of applicant being permitted to earn a return upon the value of the line which it leases from the Snow Mountain Water and Power Company, I desire to point out that this matter has already been fully considered by the Commission in connection with cases Nos. 508 and 538, and in Decision No. 1530 (Volume 4, page 1061, Opinions and Orders of the Railroad Commission) and in Decision No. 1663 (Volume 5, page 64, Opinions and Orders of the Railroad Commission), the propriety of applicant's proposal in this same connection was ruled upon. The conditions under which this line is now being operated by applicant are identical with the conditions considered at the time of these earlier decisions. There appears no occasion for any modification of our past rulings in this matter.

An examination of applicant's accounts shows that the present method of apportionment of certain expenses which are common to both its gas and electric operations is subject to some change in order to more properly apportion these charges to the two divisions of its business. Applicant's electric revenues now constitute in excess of 91 per cent

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of its total business and its gas consumers number 105 out of a total of 769. In ascertaining the proper expenses to be charged by applicant in connection with its electric business full consideration has been given to the apportionment of such expenses.

Applicant purchases its entire supply of electric energy from Snow Mountain Water and Power Company, and pays for same in accordance with the rate which was in effect in 1914. It has been faced with the constantly increasing costs of labor and materials used in the operation of its distribution system as have other utilities in the state. The following table, deduced from the evidence herein, shows the results of its electric operations for the year 1919 and for the first six months of 1920, together with the result of continuing the present rates a full year.

NAPA VALLEY ELECTRIC COMPANY.

Electric Revenue and Expenses.

	Year 1919	First six months, 1920	Ensuing year under existing conditions
Operating revenue	$30,309 61	$15,858 60	$30,500 00
Merchandising and jobbing	1,806 55		1,000 00
Total electric revenue	$32,116 19		$31,500 00
Operating expenses:			
Production	$9,949 40	$5,120 00	$10,000 00
Distribution	1,110 69	923 94	2,000 00
Commercial	347 88	69 21	350 00
General officers	5,273 16	3,386 40	7,000 00
Miscellaneous general expense	4,286 23	3,760 46	7,500 00
Taxes	1,446 00	888 74	1,800 00
Totals	$22,413 36	$14,148 69	$28,650 00
Net income	$9,702 83	$1,719 91	$2,850 00
Depreciation	2,790 00	1,480 00	2,960 00
Return	$6,913 00	$240 00	*$110 00

*Deficit.

It is apparent from the figures shown in the above tabulation that applicant's present rates do not produce sufficient revenue to pay its operating expenses and a reasonable allowance for depreciation, without regard to any return upon its investment. It is hardly to be expected that applicant can continue to serve the public under these conditions. The rates which are now charged were established by this Commission in 1914 and have been in effect continuously for a period of six years, during which time the costs incidental to applicant's electric business have substantially increased, with the single exception of the cost of its power supply from Snow Mountain Water and Power Company. It is surprising that applicant has withstood the increased

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costs of the last several years without seeking relief. The rates established in the order herein are intended to provide applicant with sufficient revenue to properly meet the operating expenses of its electric business, to set aside a proper depreciation reserve, and to yield it a fair return upon the value of its electric properties.

I recommend the following form of order:

ORDER.

Napa Valley Company having applied to the Railroad Commission for authority to increase its rates for electricity, a public hearing having been held, the matter being now submitted and ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the present rates for electricity charged by Napa Valley Electric Company are not just or reasonable rates in so far as they differ from the rates herein established, which rates are found to be just and reasonable rates for electricity to be charged by Napa Valley Electric Company.

Basing its order on the foregoing findings of fact and on the findings of fact in the opinion preceding this order;

It is hereby ordered, that Napa Valley Electric Company be and it is hereby authorized to charge and collect for electricity the following rates, effective for all regular meter readings taken on and after the sixth day of December, 1920, to wit:

SCHEDULE L–1.

General Lighting Service.

(Including small single phase motors not exceeding 3-horsepower used in connection with lighting service. Cancels Schedule A now in effect.)

Rate:

For the first 20 kilowatt hours per month per meter, 12 cents per kilowatt hour.
All over 20 kilowatt hours per month per meter, 6 cents per kilowatt hour.
Minimum charge: Inside of incorporated towns, $1 per meter per month; outside of incorporated towns, $1.25 per meter per month.

SCHEDULE L–2.

Street Lighting Service.

(Cancelling Schedule F. now in effect.)

Rate:

6 cents per kilowatt hour.

SCHEDULE C.

Cooking and Heating Service.

(Cancelling Schedule I now in effect.)

Rate:

4 cents per kilowatt hour.
Minimum charge: $2.50 per meter per month.

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SCHEDULE P–1.

General Power Service.

(Cancelling Schedules B, C and H now in effect.)

Rate:

For the first 60 kilowatt hours per horsepower per month—
Connected loads of less than 15 horsepower, 5½ cents per kilowatt hour.
Connected loads of 15 horsepower and larger, 4½ cents per kilowatt hour.
For the next 90 kilowatt hours---------3 cents per kilowatt hour
For the next 150 kilowatt hours---------2 cents per kilowatt hour
All over 300 kilowatt hours---------1¾ cents per kilowatt hour

Minimum charge—
For the first 15 horsepower---------$1 00 per horsepower per month
All over 15 horsepower--------- 0 75 per horsepower per month

Special conditions:

If service is delivered at primary voltage a discount of 15 per cent will be made from the above charges.

SCHEDULE P–2.

Seasonal Power Service.

(Cancelling Schedules D, E, H and J now in effect.)

A contract of one year will be required of consumers on this schedule.

Rate:

For the first 60 kilowatt hours per horsepower per month—
Connected loads of less than 15-horsepower, 5½ cents per kilowatt hour.
Connected loads of 15-horsepower and larger, 4½ cents per kilowatt hour.
For the next 90 kilowatt hours---------3 cents per kilowatt hour
For the next 150 kilowatt hours---------2 cents per kilowatt hour
All over 300 kilowatt hours---------1¾ cents per kilowatt hour

Minimum charge—
First 15 horsepower, $12 per horsepower per year.
All over 15 horsepower, $8 per horsepower per year.

Special Conditions:

When service is delivered at primary voltage a discount of 15 per cent will be made from the above charges.

SCHEDULE P–3.

Wholesale Power Service to California Telephone and Light Company at Bale Station.

For the first 15,000 kilowatt hours per month---- 2 cents per kilowatt hour.
All over 15,000 kilowatt hours per month---- 1.7 cents per kilowatt hour.

It is hereby further ordered, that Napa Valley Electric Company file, within ten days of the date of this order, schedules of electric rates herein authorized.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1920.

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DECISION NO. 8383.

IN THE MATTER OF THE SERVICE OF GAS BY MIDWAY GAS COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, LOS ANGELES GAS AND ELECTRIC CORPORATION AND SOUTHERN COUNTIES GAS COMPANY.

Case No. 1390.

Decided November 27, 1920.

GAS SHORTAGE—PRIORITIES—ESTABLISHMENT OF.—Due to the emergency existing in the gas situation in the Los Angeles District, it is held advisable to maintain a representative of the Commission constantly on the ground to direct the distribution of the available supply of natural and mixed gas, domestic and commercial consumers to have preference over industrial users. Only such industrial consumers whose processes necessitate gas fuel and whose demands are limited, to be placed on the special industrial schedule as set forth, provided, such consumers be required to pay rates more commensurate with the cost of service.

Order made governing the heat content and distribution of mixed and natural gas and establishing priority of service and rates for industrial users.

Herbert J. Goudge, *Paul Overton* and *S. W. Guthrie*, for the Los Angeles Gas and Electric Corporation.

Leroy M. Edwards, for Southern Counties Gas Company.

Jared Howe, for Midway Gas Company and Southern California Gas Company.

Charles S. Burnell and *Jess E. Stephens*, for the City of Los Angeles.

M. Estudillo, for the City of Riverside.

Benjamin E. Paige, *Arthur E. Hurt* and *Eugene D. Williams*, for the Southwestern Shipbuilding Company.

S. M. Haskins, for the Los Angeles Shipbuilding and Dry Dock Company.

I. G. Lewis, for the Chamber of Commerce of San Pedro, the Chamber of Commerce of Harbor City and the Chamber of Commerce of Lomita.

William W. Phelps, for the City of Hermosa Beach.

EDGERTON, *Commissioner*.

OPINION.

Further hearings in the above entitled proceeding were held on September 28 and 29, 1920, at which time this Commission's engineers submitted a detailed report relative to the natural gas supply and requirements involved in this investigation. Additional evidence was introduced by the several utilities and the city of Los Angeles and the matter was thereupon submitted for final decision. Briefs have been filed by the Los Angeles Gas and Electric Corporation and the Southern California Gas Company and Midway Gas Company, setting forth their arguments and contentions in this case.

A number of special issues have been raised in this proceeding, to which the Commission will have to give further consideration. Emergency conditions have arisen, necessitating immediate action and the carrying out of certain plans of operation. It appears advisable, therefore, to issue a further *ad interim* order covering certain phases of this matter which demand immediate decision pending final determination of certain basic issues of this proceeding.

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The evidence indicates that with the advent of the winter period a serious gas shortage is occurring, and that adequate and proper service is not being rendered to all domestic and commercial consumers throughout the district. The supply of natural gas to the Los Angeles City Districts has not been increased since the winter of 1919–1920. An unprecedented growth of these communities has occurred, which has resulted in marked increase in demand for gas by domestic and commercial consumers and is now taxing the facilities of the several companies to the limit.

Due to the difficulties and complications encountered in the distribution and allocation of the available natural gas supply, between the several distributing companies, it appears that the public need can best be served and the most satisfactory service rendered by the placing in direct supervision and control of the gas supply, a representative of the Commission, to act under certain definitely established rules and principles hereinafter laid down covering the division of gas between the utilities, quality of gas to be served and priority of various gas usage.

The situation demands close daily, if not hourly, supervision. Manifestly, it will be impracticable for the Commission headquarters to immediately direct all the various details from its main office. For the purpose of meeting this difficulty the Commission will provide for personal presence of a member of its engineering staff at the City of Los Angeles during the continuance of the plan herein provided for. Such engineer, representing this Commission, will be able to give prompt and authoritative direction, referring to this Commission such matters, questions and proposed policies and directions as shall be covered by his instructions.

Since the submission of this case instances of poor service have occurred, due primarily to increased demands for gas by domestic consumers as a result of the colder weather. It appears that practically no natural gas service can be rendered to industrial consumers except by the most careful supervision and distribution of the gas supply. This Commission is advised that the plan of supervision herein proposed is agreeable to the several utilities and that they will cooperate fully in order to render the best service possible.

A study has been made of the requirements of certain of the industrial gas consumers of Southern California Gas Company by a special committee which was organized at the suggestion of the Los Angeles Chamber of Commerce to consider these needs, and, as a result, a proposed priority list of these consumers was submitted in evidence as representing the recommendation of this committee. It appears that some of these consumers are using gas for purposes similar to those

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of certain consumers of Los Angeles Gas and Electric Corporation served at the regular domestic rate. The industrial consumers now being served by Southern California Gas Company are purchasing natural gas at the industrial rate of 30 cents per thousand cubic feet.

Conditions are such that due to the shortage of gas continuous service to industrial consumers during the coming three or four months can only be had at the expense of a greater manufacture of artificial gas for mixing purposes as the supply is not sufficient to continue this service and render full service for domestic and commercial purposes during the better part of the winter period. Industrial consumers on Southern California Gas Company's system and Southern Counties Gas Company's Long Beach district to whom preference is to be given at this time should, in fairness, be required to pay rates more commensurate with the cost of service. This Commission must conclude that such industrial consumers of the Southern California Gas Company, Southern Counties Gas Company's Long Beach district and Los Angeles Gas and Electric Corporation who are to have continued service should be treated alike in so far as practicable.

Only such industrial consumers whose processes necessitate gas fuel and whose demands are limited, may, with the approval of this Commission, be placed upon the special industrial schedule hereinafter set forth and given greater preference. It may not be possible to always guarantee these consumers uninterrupted service during periods of critical gas shortage, and at such times they will be required to curtail their usage in favor of general domestic and commercial consumers. Large industrial users must be refused service even if willing to pay the higher rates during the coming winter in order to protect domestic service which must not be jeopardized. All industrial consumers served in the Los Angeles district and in the Eastern District of Southern Counties Gas Company will be expected to cooperate with the Commission's representative who will supervise the Companies' operations.

Los Angeles Gas and Electric Corporation will be required to reclassify its consumers to conform to the requirement of the industrial schedule hereinafter set forth.

It appears from the evidence herein that it will be difficult, if not impossible, for the gas companies supplying Los Angeles to continue to furnish gas of an average heat content of 815 British thermal units per cubic foot during the winter months. It is desirable that the companies maintain as high a heat standard as possible, and, for that reason, it does not appear advisable to authorize a definite reduction in heat content at this time, it being understood, however, that the Commission's representative, who is herein directed to act for the Com-

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mission in the supervision of the gas supply on the companies' systems, shall allow such reduction as may be found necessary, subject to approval by the Commission.

Conditions in the eastern Los Angeles County and in the Orange County district served by Southern Counties Gas Company are such that special care must be had to prevent very serious shortages during periods of severe weather conditions.

I recommend the following form of order:

ORDER.

Further hearing having been held in the above entitled proceeding, and it appearing that certain modifications in the previous order of this Commission, Decision No. 7105, dated February 9, 1920, as extended by decision dated March 2, 1920, should be made at this time without finally passing on the entire case, and it appearing that the interests of the territory supplied by Midway Gas Company, Southern California Gas Company, Los Angeles Gas and Electric Corporation and Southern Counties Gas Company can best be served by direct supervision by the Commission, through its representative, of the general division and allocation of gas between the various utilities and their consumers;

It is hereby ordered, effective on and after the twenty-ninth day of November, 1920, as follows:

Section 5 of the order in Decision No. 7105 is hereby modified to read as follows:

The mixed gas supplied by the Los Angeles Gas and Electric Corporation and Southern California Gas Company in Los Angeles and vicinity shall contain, under standard conditions of temperature and pressure, an average total heat value of not less than 815 British thermal units per cubic foot, except when it shall be determined necessary by the Commission's representative, approved by this Commission, that a lower heat content shall be supplied. The determination of the average total heating value shall be in accordance with Rule 22 of General Order 58 of the Railroad Commission of the State of California. The maximum variation from the average total heating standard of mixed gas herein established shall at no time be greater than shall be found necessary under the conditions existing.

Section 6 of the order in Decision No. 7105 is hereby modified to read as follows:

Southern California Gas Company shall supply natural gas to Southern Counties Gas Company's Long Beach district, in accordance with the contract between Southern California Gas Company and Southern Counties Gas Company, dated August 1, 1920.

Section 8 of the order in Decision No. 7105 is hereby modified to read as follows:

Natural gas available to Los Angeles district from the Glendale terminal and the Lynwood and Vernon terminals of Midway Gas Company shall be distributed by Midway Gas Company and Southern California Gas Company as follows, in the order of priority as listed:

(*a*) Requirements of Southern Counties Gas Company's Long Beach district for domestic and commercial purposes to extent required and as limited by contract

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between Southern California Gas Company and Southern Counties Gas Company, dated August 1, 1920, and requirements of Southern California Gas Company for direct natural gas service for domestic and commercial purposes where formerly supplied.

(*b*) Requirements of Southern California Gas Company and Los Angeles Gas and Electric Corporation for mixing purposes sufficient to comply with the requirements set forth herein, based upon artificial gas varying from 500 British thermal units per cubic foot to 600 British thermal units per cubic foot, dependent upon sendout requirements.

(*c*) Requirements of industrial consumers, approved by the Commission through its representative, served by Southern California Gas Company, Southern Counties Gas Company in its Long Beach district and Los Angeles Gas and Electric Corporation, where gas fuel is essential to continued operation, subject to such modification as may be found necessary from time to time upon the report of the gas administrator or as provided hereinbefore.

(*d*) Requirements of Southern California Gas Company for reforming and gas plant operation and sale.

Section 3 of the third subdivision of the order in Decision No. 7105 is hereby withdrawn.

Section 4 of subdivision 3 of the order in Decision No. 7105 is hereby modified to read:

Industrial consumers continuing the use of gas under the classification of part (*c*) of section 8 on Southern California Gas Company's system shall pay for such gas, based on all service rendered on and after December 1, 1920, the following rate:

CLASS "A" INDUSTRIAL SERVICE.

(Limited.)

Applicable to service of natural gas for industrial purposes where gas is essential to continued operation, such as metal working processes, glass manufacturing, special tile manufacture and preparation of food products.

Rate.

Readiness-to-serve charge: $15 per meter per month, plus.
Consumption charge: 40 cents per 1000 cubic feet, delivered.

Special Conditions.

1. Service under this schedule will be granted during the winter period subject to approval by the Railroad Commission of the State of California.

2. Service under this schedule has priority over other industrial service, but is subject to discontinuance in case of necessity in favor of domestic and commercial service.

Industrial consumers continuing the use of gas under the classification of part (*c*) of section 8 on Los Angeles Gas and Electric Corporation's system shall pay for such gas, based on all service rendered on and after December 1, 1920, the following rate:

CLASS "A" INDUSTRIAL SERVICE.

(Limited.)

Applicable to the service of mixed gas for industrial purposes where gas is essential to continued operation, such as metal working processes, glass manufacturing, special tile manufacture and preparation of food products.

Rate.

Readiness-to-serve charge: $10 per meter per month, plus.
Consumption charge: 50 cents per 1000 cubic feet, delivered.

Special Conditions.

1. Service under this schedule will be granted during the winter period subject to approval by the Railroad Commission of the State of California.

2. Service under this schedule has priority over other industrial service, but is subject to discontinuance in case of necessity in favor of domestic and commercial service.

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Industrial consumers continuing the use of gas under the classification of part (*c*) of section 8 on Southern Counties Gas Company's system shall pay for such gas, based on all service rendered on and after December 1, 1920, the following rate:

CLASS "A" INDUSTRIAL SERVICE.

(Limited.)

Applicable to service of natural gas for industrial purposes where gas is essential to continued operation, such as metal working processes, glass manufacturing, special tile manufacture and preparation of food products.

Rate.

Readiness-to-serve charge: $15 per meter per month, plus.
Consumption charge: 40 cents per 1000 cubic feet, delivered.

Special Conditions.

1. Service under this schedule will be granted during the winter period subject to approval by the Railroad Commission of the State of California.
2. Service under this schedule has priority over other industrial service, but is subject to discontinuance in case of necessity in favor of domestic and commercial service.

It is hereby further ordered, that Los Angeles Gas and Electric Corporation reclassify its consumers, listing thereunder all consumers using gas for industrial purposes as described under section 8, part (*c*) hereof, and as prescribed under schedule for industrial service under section 4 of subdivision 3 heretofore set forth.

It is hereby further ordered, that all portions of the order in Decision No. 7105 not herein modified and not at variance with the purpose and intent of this order are continued in effect.

The following public utilities are the companies affected by and subject to the provisions hereof.

Midway Gas Company;
Southern California Gas Company;
Los Angeles Gas and Electric Corporation;
Southern Counties Gas Company.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of November, 1920.

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DECISION NO. 8385.

IN THE MATTER OF THE APPLICATION OF THE PASADENA CONSOLIDATED WATER COMPANY, TO ISSUE AND SELL BONDS IN THE AMOUNT OF ONE HUNDRED AND TWENTY-FIVE THOUSAND DOLLARS, ORIGINALLY CREATED BY SAID COMPANY, AND SECURE THE SAME BY TRUST DEED UPON ALL OF ITS PROPERTY.

Application No. 6137.

Decided November 27, 1920.

J. A. Anderson, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Pasadena Consolidated Water Company asks permission to execute a mortgage or deed of trust and issue $125,000 of 7 per cent twenty-year bonds for the purposes and at the prices hereinafter indicated.

Pasadena Consolidated Water Company was organized in January, 1912, with an authorized stock issue of $200,000. Stock in the amount of $163,900 has been issued and is outstanding. In Decision No. 8220, dated October 11, 1920, the Railroad Commission authorized applicant to increase its rates. In that decision, the Commission's engineers estimated the original cost of the company's properties at $266,156. The estimate does not include certain properties deemed unnecessary to serve present consumers, nor those in process of construction at the time of the investigation but which have since been completed. The Commission found that the company's system was overbuilt for its present users and covers a large area of sparsely settled territory, so that a rate computed to produce a return equal to 8 per cent on $266,156 would be unduly burdensome to the present consumers. The Commission's engineers estimate that the rates fixed by the Commission will yield a net return of $9,448.85, while J. B. Coulston, president of the company, believes that because of improvements made since the investigation by the Commission's engineers, the net return will amount to from $12,000 to $13,000.

As of August 1, 1920, the company reports an indebtedness of $126,700, consisting of $65,000 of bonds due January 2, 1922, $58,700 of short term notes and $3,000 of floating debt. The outstanding bonds were issued by Craig-Lambert Water Company, whose properties were acquired by applicant subject to the bonded indebtedness. The holders of the bonds have agreed to accept in payment at par 7 per cent bonds of the Pasadena Consolidated Water Company. It is possible that some of the note holders will likewise accept 7 per cent bonds at par in payment for notes. However, applicant asks permission to sell $60,000 of bonds for not less than 97, or on about a 7.3 per cent basis.

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Applicant has filed with the Commission a copy of its proposed trust deed. This trust deed secures the payment of $125,000 of 7 per cent twenty-year bonds and gives the company the option to call the bonds for payment at 105 and accrued interest on July 1, 1923, or on any interest date thereafter. The president of the company testified that in his opinion the company will not be called upon to construct any large improvements which would necessitate the issue of any additional bonds, and that therefore, a closed mortgage or deed of trust, such as proposed by the company, will not handicap it in its operations.

I herewith submit the following form of order:

ORDER.

Pasadena Consolidated Water Company having applied to the Railroad Commission for permission to execute a mortgage or deed of trust and issue $125,000 of bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Pasadena Consolidated Water Company be and it is hereby authorized to execute a mortgage or deed of trust substantially in the same form as the mortgage or deed of trust filed with the Commission in this proceeding on November 4, 1920, as amended on November 23, 1920; provided, that the approval herein given of said mortgage or deed of trust is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which said mortgage or deed of trust may be subject.

It is hereby further ordered, that Pasadena Consolidated Water Company be and it is hereby authorized to issue $125,000 of 7 per cent twenty-year bonds.

The authority herein granted is subject to further conditions as follows:

1. Of the bonds herein authorized to be issued, $65,000 shall be sold and delivered for the purpose of paying or refunding the $65,000 of outstanding bonds issued by Craig-Lambert Water Company and referred to in applicant's Exhibit "C*a*." The remaining $60,000 of bonds shall be sold by applicant for not less than 97 per cent of their face value plus accrued interest and the proceeds used to pay indebtedness other than the bonds issued by the Craig-Lambert Water Company and referred to in applicant's Exhibit "C*a*."

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2. The Pasadena Consolidated Water Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted to issue and sell bonds will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4. The authority herein granted to issue and sell bonds will apply only to such bonds as may be issued and sold on or before April 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of November, 1920.

DECISION NO. 8386.

IN THE MATTER OF THE APPLICATION OF THE CORONA HOME TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, AND THE CORONA UNION HOME TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE RATES FOR TELEPHONE SERVICE.

Application No. 4993.

Decided November 27, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7411, dated April 9, 1920, ordered Corona Home Telephone and Telegraph Company and Corona Union Home Telephone and Telegraph Company to file with the Commission and put into effect the rates set forth in the decision, subject among others to the condition that adequate and efficient telephone service must be rendered at all times for all classes of service and that a depreciation reserve of $2,000 per annum, in installments of $166.66 per month, shall be set aside in a special fund for the purpose of maintaining the plant in good condition, or for such other purpose as may be authorized by the Commission; and

Whereas, Corona Home Telephone and Telegraph Company is now operating the properties, formerly operated by the Corona Union Home Telephone and Telegraph Company, and reports that it is necessary for it to construct certain additions and betterments to enable it to give better and more adequate service; and

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Whereas, Corona Home Telephone and Telegraph Company reports that it cannot borrow money to make the necessary improvements unless it pays an interest rate of 8 per cent or more per annum; that the money, approximately $12,000, now represented by its reserve for accrued depreciation is not at this time needed for replacements and that more adequate service can be rendered by the company if part of the moneys represented by the reserve for accrued depreciation are invested in the plant and the order of the Commission in Decision No. 7411, dated April 9, 1920, modified accordingly; and

The Commission being of the opinion that the order in Decision No. 7411, dated April 9, 1920, should be modified as herein indicated; now, therefore,

It is hereby ordered, that the order in Decision No. 7411, dated April 9, 1920, be and it is hereby modified so as to permit Corona Home Telephone and Telegraph Company to use such portion of the moneys represented by its reserve for accrued depreciation as may not at any one time be necessary to pay for replacements which are charged against the reserve for accrued depreciation under the classification of accounts prescribed by this Commission, to pay temporarily for improvements, extensions, additions and betterments to its plant.

It is hereby further ordered, that the order in Decision No. 7411, dated April 9, 1920, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-seventh day of November, 1920.

DECISION NO. 8388.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE EXECUTION OF A MORTGAGE AND THE ISSUANCE OF BONDS.

Application No. 6000.

Decided November 27, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7984, dated August 17, 1920, authorized Great Western Power Company of California to issue and sell at not less than 93 per cent of their face value plus accrued interest $3,500,000 of its 8 per cent ten-year general mortgage convertible gold bonds, subject, among others, to the condition that the authority to issue and sell said bonds would not become effective until the Commission by supplemental order or orders has authorized the

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company to execute a general mortgage securing the payment of the bonds; and

Whereas, Great Western Power Company of California on November 10, 1920, filed with the Railroad Commission a copy of its proposed mortgage to secure the payment of $5,000,000 of general mortgage convertible 8 per cent gold bonds, $3,500,000 of which applicant intends to issue pursuant to the authority granted in Decision No. 7984, dated August 17, 1920;

And the Commission having considered the terms and provisions of said proposed mortgage and being of the opinion that applicant should be permitted to execute a mortgage substantially in the same form as that filed with the Commission on November 10, 1920; now, therefore,

It is hereby ordered, that Great Western Power Company of California be and it is hereby authorized to execute a mortgage substantially in the same form as the mortgage filed with the Commission on November 10, 1920;

Provided, that the approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage as to such other legal requirements to which such mortgage may be subject; and

Provided, further, that nothing in this order contained is intended or shall be construed as an authority in any degree for the issuance by applicant of series "B" bonds referred to in said mortgage, the issue of said series "B" bonds being a matter to be considered in some subsequent proceeding or proceedings.

It is hereby further ordered, that Decision No. 7984, dated August 7, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-seventh day of November, 1920.

DECISION NO. 8389.

IN THE MATTER OF APPLICATION OF A. B. PERKINS FOR AUTHORIZATION OF REVISED RATE SCHEDULE.

Application No. 5816.

Decided November 27, 1920.

SERVICE CONDITIONS—RATE INCREASES CONDITIONED UPON IMPROVEMENT OF.—In connection with applicant's petition to increase rates for water service, the Commission holds that while throughout the proceeding facts have been substantiated which justify an increase in rates of the utility, in justice to the consumers who receive inadequate service by reason of low pressure, any

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increase in rates which is established should be made contingent upon improvement which will insure satisfactory service from the standpoint of pressure. Revised schedule of rates established, conditioned upon the installation by applicant of additional storage facilities.

A. B. Perkins, for Applicant.
Geo. L. Sanders, for Certain Consumers.

BRUNDIGE, *Commissioner*.

OPINION.

A. B. Perkins, applicant herein, is the owner of a public utility water system known as the Newhall Water System, supplying water for domestic and irrigation purposes to consumers in and in the vicinity of the town of Newhall, Los Angeles County, California. This water system was acquired by applicant under authority of this Commission's Decision No. 7434, dated April 15, 1920, which authorized the transfer of the property from H. Clay Needham to the present owner.

In the above entitled proceeding applicant asks for authority to raise his rates charged for water, alleging in effect that the existing rate schedule does not provide sufficient revenue to yield operating expenses, depreciation and a reasonable return upon the investment.

A public hearing was held in this matter at Los Angeles, California, and all interested parties were given an opportunity to appear and be heard.

It appears that the existing schedule of rates was put into effect when the water system had few consumers and sufficient water for their needs was supplied by an artesian well with only occasional operation of the pumping plant. As a matter of fact, the artesian supply has usually been sufficient during the greater part of the season for many years past.

On July 17, 1920, there were 134 active services on this system and a total of 26,025 feet of mains. On the basis of the proportion of main required for each service it will be observed that the length of main per service connection is unusually great.

At the hearing considerable dissatisfaction was expressed by consumers because of the alleged inadequacy of the service rendered by applicant. This is particularly true of a district known as Happy Valley, and investigation develops the fact that the unsatisfactory service is due principally to low pressure, this condition being caused in part, at least, by the low elevation of the storage tanks from which the system is supplied. This condition can be remedied and steps should be taken by applicant toward the installation of such improvements as will eliminate further cause for complaint. While throughout this proceeding facts have been substantiated which justify an increase in the rates of this utility, yet it appears that in justice to those consumers who receive inadequate service by reason of low pressure, any increase

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of rates which may be granted should be made contingent upon such improvement of the system as will insure satisfactory service from the standpoint of pressure.

Mr. M. R. MacKall, one of the Railroad Commission's hydraulic engineers, submitted a report and an appraisal of the water utility property of applicant. Based upon the available records of the actual cost of construction, $31,868 is estimated as the original cost of the system. A depreciation annuity in the amount of $447 is computed by the sinking fund method, which sum, accumulated annually, is calculated to provide a fund for the replacement of wornout properties when the end of their useful lives has been attained. The estimate of a reasonable allowance for maintenance and operating expense is $1,785.

No appraisal was submitted by applicant other than a statement of the book value of the plant, as shown in the applicant's annual report, which amounted to $37,502. As this amount does not exclude retirements and nonoperative property, no objection was made to the values in the appraisal and report of the Commission's engineer.

A consideration of the evidence leads to the conclusion that these estimates are fair, and they are used for the purpose of this proceeding.

A summary of the foregoing annual charges is as follows:

Interest on $31,868 at 8 per cent.	$2,549 00
Replacement fund	447 00
Maintenance and operation expense	1,785 00
Total	$4,781 00

As the revenues for the year 1919 amounted to only $2,206, it would appear that the applicant is entitled to an increased income. However, the system is overbuilt to such an extent that to allow a full and complete return upon the invested capital over and above the costs of maintenance, operation and depreciation, would place an undue burden upon the ratepayers, and by reason of the further fact that the present service is inadequate to certain consumers, it is believed that any increase in rates to them would be unjust unless predicated upon adequate improvement in service conditions.

For these reasons the schedule of rates established in the following order is designed to produce a return which, in so far as the conditions permit, will be equitable.

ORDER.

A. B. Perkins, owner of a public utility known as the Newhall Water System, having made application in the above entitled proceeding for an increase in water rates, a public hearing having been held and the Commission being fully informed in the matter:

It is hereby found as a fact that the rates now charged by applicant,

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in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates for service of water by this applicant to his consumers. And basing its order upon the foregoing finding of fact and upon the statement of facts contained in the opinion preceding this order;

It is hereby ordered, by the Railroad Commission of the State of California, that A. B. Perkins be and he is hereby authorized and directed to file with this Commission, not later than twenty (20) days from the date of this order, and thereafter charge the following rates for water delivered to the consumers of the Newhall Water System in Newhall and vicinity:

MONTHLY METER RATES.

Quantity charge.	
For domestic use:	
For use between 0 and 2000 cubic feet, per 100 cubic feet	$0 25
All use over 2000 cubic feet, per 100 cubic feet	20
For irrigation use:	
For all water used, per 100 cubic feet	06
Readiness to serve charges.	
For ⅝ by ¾-inch meter	50
For ¾-inch meter	75
For 1-inch meter	1 00
For 1½-inch meter	1 25
For 2-inch meter	1 50

The above readiness to serve charges are in addition to the charge per 100 cubic feet established herein.

It is hereby further ordered, that A. B. Perkins be and he is hereby directed to install storage facilities capable of providing adequate pressure for satisfactory water service to the district known as Happy Valley, said storage to be placed at an elevation at least twenty (20) feet greater than the storage from which applicants were served on June 14, 1920 (the date of the application herein), this improvement to be installed and in operation as soon as conditions will permit, but in no case later than April 1, 1921.

It is hereby further ordered, that the collection of rates set out in the schedule herein authorized, on and after April 1, 1921, is expressly conditioned upon the improvement above ordered having been installed and in operation on or before that date.

It is hereby further ordered, that A. B. Perkins be and he is hereby directed to file with the Railroad Commission within thirty (30) days from the date of this order a complete schedule of rules and regulations governing the distribution and sale of water to consumers supplied by him, said schedule to be effective on the date of its approval by this Commission.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of November, 1920.

DECISION NO. 8391.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY TO BUY CERTAIN PIPE LINES IN THE CITY AND COUNTY OF LOS ANGELES, STATE OF CALIFORNIA; OF CAROLINE W. DOBBINS TO SELL SAID PIPE LINES; OF SOUTHERN CALIFORNIA GAS COMPANY TO RELEASE AND QUIT CLAIM CERTAIN PROPERTY IN THE CITY AND COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND TO LEASE SAID PROPERTY; AND FOR THE APPROVAL BY THIS COMMISSION OF A CERTAIN CONTRACT ENTERED INTO BETWEEN CAROLINE W. DOBBINS AND SOUTHERN CALIFORNIA GAS COMPANY.

Application No. 6335.
Decided November 27, 1920.

BY THE COMMISSION.

OPINION.

On or about March 18, 1919, Southern California Gas Company acquired the properties of Economic Gas Company, pursuant to the authority granted in Decision No. 6182, dated March 12, 1919. It acquired these properties subject to pending litigation between the Economic Gas Company and Mrs. Caroline W. Dobbins et al.

The Economic Gas Company agreed to indemnify Southern California Gas Company in case the courts decided adversely to the Economic Gas Company and the properties lost through litigation.

The properties subject to litigation consisted of the following:

All of lots sixteen (16), seventeen (17) and eighteen (18) in block two (2), Pomeroy and Mills subdivision of the Hollenbeck Tract, in the city of Los Angeles, county of Los Angeles, State of California, as per map recorded in Book 5, page 199, Miscellaneous Records of said Los Angeles County.

Also that part of lot fifteen (15) in said block two, described as follows, to wit:

Commencing at a point in the northerly line of St. John street, at the most southerly corner of said lot fifteen (15); thence along the dividing line between lot fifteen (15) and sixteen (16) of said block two (2), north forty-six degrees (46), west thirty-eight and fifty hundredths (38.50) feet to a point; thence north thirty-four degrees (34) two minutes (2) east nine and sixty-four hundredths (9.64) feet to a point; thence north twenty-nine degrees (29) forty-two minutes (42) east, fifty (50) feet to a point; thence north twenty-two degrees (22) eighteen minutes (18) east forty-four and twenty-eight hundredths (44.28) feet to a point in the westerly line of the tract conveyed to B. McCool, trustee, by deed recorded in Book 461, page 7 of Deeds, records of said Los Angeles County; thence along the westerly line of said tract conveyed to D. McCool, trustee, south three degrees (3) thirty-seven minutes (37) feet west one hundred and six and thirty-seven hundredths (106.37) feet to a point in the northerly line of St. John street; thence along the

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northerly line of St. John street south forty-four degrees (44) west, eighteen and three-tenths (18.3) feet to the place of commencement, together with the coke ovens, gas holder, machinery and improvements situated on said premises.

Also that certain six-inch main distributing pipe laid by said Caroline W. Dobbins and Thaddeus Lowe, or either of them, from the gas works on the property last above described, along Main street to Albion street; thence along Albion street to Avenue Twenty-one; thence along Avenue Twenty-one to Pasadena avenue; thence along Pasadena avenue to the northern boundary of the city of Los Angeles as the same existed on the twenty-eighth day of February, 1903; thence along Marmion way to the gas works formerly situated on Marmion way in the Arroyo Seco, between the cities of Los Angeles and South Pasadena, in said county of Los Angeles.

Since the sale of the properties the litigation has been determined in favor of Mrs. Caroline W. Dobbins. The Southern California Gas Company has been indemnified to the amount of $50,000. It has entered into an agreement with Caroline W. Dobbins, which agreement is attached to the petition herein and marked "Exhibit No. 1", wherein it is agreed that the above described real property shall be released, surrendered and quit-claimed by Southern California Gas Company.

It is further agreed that Southern California Gas Company shall purchase the above described pipe line at a cost of $23,000. On the above described real property are located coke ovens, gasholders, machinery and improvements.

Southern California Gas Company is now engaged in making certain alterations and additions so that it can supply its consumers without using the ovens, gasholders, machinery and improvements mentioned.

ORDER.

Southern California Gas Company having applied to the Railroad Commission for permission to purchase certain pipe lines and to release and quit-claim property described in the foregoing opinion, and for the approval of a contract entered into with Caroline W. Dobbins, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, and that applicant's request should be granted;

It is hereby ordered, that Southern California Gas Company and Caroline W. Dobbins be and they are hereby authorized to enter into an agreement substantially in the same form as the agreement attached to the petition herein and marked "Exhibit 1";

It is hereby further ordered, that Caroline W. Dobbins be and she is hereby authorized to sell to Southern California Gas Company for the sum of $23,000 the pipe line described in Exhibit No. 1 attached to the petition herein and to lease to Southern California Gas Company the properties referred to in said Exhibit No. 1 for a term of not exceeding six months, as provided in said Exhibit No. 1;

It is hereby further ordered, that Southern California Gas Company be and it is hereby authorized to release, surrender and quitclaim the

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property described in Exhibt No. 1 attached to the petition herein and to purchase from Caroline W. Dobbins the pipe line described in said Exhibit No. 1.

The authority herein granted is subject to the following conditions:

1. Southern California Gas Company shall file with the Railroad Commission within sixty days after the execution of the instruments of conveyance, a verified copy of each and every such instrument.

2. The consideration received or paid for the properties herein authorized to be transferred shall not be urged before this Commission or any other public body as a measure of value of such properties for the purpose of fixing rates or for any purpose other than the transfer herein authorized.

3. The authority herein granted will apply only to such transfer as may be effected on or before June 1, 1921.

Dated at San Francisco, California, this twenty-seventh day of November, 1920.

DECISION No. 8398.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO ISSUE ADDITIONAL BONDS IN THE AMOUNT OF NINE HUNDRED TWENTY-NINE THOUSAND, THREE HUNDRED EIGHTY-NINE DOLLARS AND TWENTY-SIX CENTS, AND TO SELL OR PLEDGE THE SAME.

Application No. 6306.
Decided November 30, 1920.

Walter S. McFarland, for Applicant.
EDGERTON AND BRUNDIGE, *Commissioners*.

OPINION.

Southern Counties Gas Company of California asks permission to issue, sell or pledge $929,389.26 of its first mortgage 5½ per cent bonds, payable May 1, 1936, and use the moneys obtained through the selling or pledging of the bonds to reimburse its treasury and pay for additions and betterments.

Applicant reports that from December 1, 1919 to September 30, 1920, inclusive, it expended for plant extensions, additions and betterments the sum of $534,129.78. It asks permission to issue on account of such expenditures $427,303.82 of bonds. Prior to December 1, 1919, the company made expenditures against which it may call upon the trustees under its first mortgage to certify $371.84 of bonds. Adding the $371.84 to the $427,303.82 makes a total of $427,675.66, of bonds which applicant now asks permission to issue and sell or pledge.

Attached to the petition is a statement in which applicant estimates

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the cost of its plant extensions, additions and betterments from September 30, 1920 to July 31, 1921 at $627,142. Eighty per cent of the estimated expenditures amounts to $501,713.60, which amount if added to the $427,675.66, mentioned in the preceding paragraph, makes a grand total of $929,389.26. The company does not now ask permission to either sell or pledge the bonds which it finally intends to issue against the estimated expenditures to be made from September 30, 1920 to July 31, 1921. It will from time to time file supplemental applications for permission to sell or pledge bonds on account of expenditures made during the period mentioned.

At this time the company does not intend to sell any of its first mortgage bonds but to use the $427,675.66 of bonds herein authorized to be issued as collateral to secure in part the payment of $400,000 of ten-year 8 per cent bonds.

Walter S. McFarland, secretary and treasurer of Southern Counties Gas Company of California, testified that while the company desired permission to use the moneys obtained through the issue and pledging of bonds herein authorized, to reimburse its treasury, all of the moneys will be used by the company to pay current indebtedness.

We herewith submit the following form of order:

ORDER.

Southern Counties Gas Company of California having applied to the Railroad Commission for authority to issue $929,389.26 of first mortgage bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Southern Counties Gas Company of California be and it is hereby authorized to issue $929,389.26 of its first mortgage 5½ per cent bonds due May 1, 1936.

The authority herein granted is subject to the following conditions:

1. Of the bonds herein authorized to be issued, applicant may deposit $427,675.66 face value, as collateral to secure in part the payment of ten-year collateral trust 8 per cent gold bonds, said bonds to be deposited at the ratio of $131.25 face value of first mortgage bonds for every $100 face value of 8 per cent bonds issued.

2. The remainder of the bonds herein authorized to be issued shall not be deposited as collateral, sold, or otherwise disposed of, except as authorized by the Railroad Commission.

3. All moneys received through the issue and deposit of $427,675.66 of bonds shall be used by applicant to reimburse its treasury, and after

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such reimbursement, to pay current liabilities reported in this application.

4. As the 8 per cent bonds secured by first mortgage bonds are paid, a proper proportion of the first mortgage bonds deposited as collateral shall be returned to applicant and thereafter not disposed of by applicant in any manner whatsoever, except as authorized by the Railroad Commission.

5. Southern Counties Gas Company of California shall keep such record of the issue and disposition of the bonds herein authorized and the use of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted will apply only to such bonds as may be issued on or before June 30, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of November, 1920.

DECISION NO. 8399.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE ISSUANCE OF TEN-YEAR COLLATERAL TRUST GOLD BONDS, AND THE EXECUTION OF A TRUST DEED AND MORTGAGE SECURING SAME, AND THE PLEDGING OF FIRST MORTGAGE BONDS AS PART OF THE SECURITY THEREFOR.

Application No. 6307.
Decided November 30, 1920.

While approving applicant's petition for permission to issue $400,000, 8 per cent, ten-year collateral trust bonds, secured by its 5½ per cent first mortgage bonds, the Commission suggests that a more satisfactory plan for financing expenditures for extensions and betterments could be devised, and recommends that within six months applicant submit a plan for permanently refinancing at least that part of the cost of plant extensions which cannot be paid for through the issue of first mortgage bonds.

Walter S. McFarland, for Applicant.
EDGERTON AND BRUNDIGE, *Commissioners*.

OPINION.

Southern Counties Gas Company of California asks permission to execute a trust deed providing for an authorized issue of ten-year collateral trust 8 per cent gold bonds in the sum of $1,000,000, to issue

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and sell $400,000 of said bonds at 95 per cent of their face value, plus accrued interest, and use the proceeds to reimburse its treasury and pay current indebtedness.

On account of prevailing interest rates, applicant reports that it is not able to secure what it regards as a reasonable price for its 5½ per cent first mortgage bonds. It believes that it is to its advantage to issue and sell at 95 per cent of their face value, plus accrued interest, $400,000 of ten-year 8 per cent bonds and use first mortgage bonds as collateral to secure the payment of the ten-year 8 per cent bonds.

The proposed trust deed under which applicant intends to issue and sell the ten-year 8 per cent bonds provides that the holder at his option may exchange the ten-year 8 per cent bonds into applicant's first mortgage 5½ per cent bonds. The company agrees to issue to the holder of 8 per cent bonds, upon the surrender thereof, at any time on or before December 1, 1925, so many of its first mortgage bonds as at 85 per cent of their face value will be equal to the face amount, plus accrued interest, of the collateral trust funds surrendered. At any time after December 1, 1925, and up to and including December 1, 1930, the company agrees to deliver to the holder of 8 per cent bonds, upon the surrender thereof, so many first mortgage 5½ per cent bonds as at 90 per cent of their face value, plus accrued interest, will be equal to the face amount of collateral trust bonds surrendered.

In another proceeding before the Commission applicant has asked and has been granted authority to deposit first mortgage bonds to secure the payment of the collateral trust bonds herein authorized to be issued and sold.

The proposed trust deed will be a lien not only on the bonds deposited but also a lien on applicant's properties situate in the city of Whittier subject to the lien of applicant's first and second mortgages. It provides that as applicant pays off its 8 per cent bonds, a proper proportion of first mortgage bonds deposited as collateral security shall be returned to applicant.

The trustee under applicant's first mortgage is authorized to certify bonds to an amount or amounts not exceeding 80 per cent of the actual and reasonable cash expenditures made after May 1, 1916, for permanent extensions, enlargements and additions of and to the plants and properties of the company. Since the execution of this mortgage applicant has issued, or has been authorized to issue, bonds to the amount permitted under its first mortgage. To pay for 20 per cent of the cost of properties acquired or constructed, applicant has resorted largely to borrowing moneys on short term notes or has incurred open account indebtedness. From time to time its liabilities represented by short

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term notes or open account indebtedness have been refunded. The result of applicant's method of financing has been an accumulation of current liabilities larger in amount than is desirable. Applicant operates throughout a territory which is developing rapidly. It has been necessary and will continue to be necessary for applicant to spend relatively large amounts for plant extensions, additions and betterments.

To properly discharge its functions, it occurs to us that applicant should devise a more satisfactory method of financing part of its expenditures for plant extensions, additions and betterments. We therefore recommend that the Commission require applicant to submit within six months after date hereof, a plan for permanently refinancing at least that part of the cost of plant extensions, additions and betterments which cannot be paid for through the issue of first mortgage bonds. Until such plan is submitted and approved by this Commission, we will not look with favor upon further applications of this character.

Walter S. McFarland, secretary of Southern Counties Gas Company of California, testified that if this application is granted and applicant permitted to reimburse its treasury, it will use all the moneys obtained through the issue of the ten-year collateral trust 8 per cent gold bonds to pay current liabilities.

We herewith submit the following form of order:

ORDER.

Southern Counties Gas Company of California having applied to the Railroad Commission for permission to execute a trust deed and issue $400,000 of ten-year 8 per cent bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through such issue, is reasonably required by applicant, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Southern Counties Gas Company of California be and it is hereby authorized to execute a trust deed substantially in the same form as the trust deed filed with the Commission on November 17, 1920; provided, that the approval herein given of said trust deed is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust deed as to such other legal requirements to which said trust deed may be subject.

It is hereby further ordered, that Southern Counties Gas Company of California be and it is hereby authorized to issue $400,000 of ten-year collateral trust 8 per cent gold bonds, due December 1, 1930.

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The authority herein granted is subject to further conditions as follows:

1. The bonds herein authorized to be issued shall be sold by applicant for not less than 95 per cent of their face value, plus accrued interest, and the proceeds used by applicant to reimburse its treasury, and after such reimbursement, to pay current liabilities reported in Application No. 6306.

2. As ten-year collateral trust 8 per cent gold bonds are being redeemed, a proper proportion of applicant's first mortgage bonds deposited as collateral, shall be returned to applicant and thereafter not disposed of in any manner whatsoever, except as authorized by the Commission.

3. Within six months after the date herein, Southern Counties Gas Company of California shall file with the Railroad Commission a plan approved by its board of directors and stockholders providing for the permanent financing of at least that portion of the cost of plant extensions, additions and betterments against which the trustee under its first mortgage, shall not certify bonds.

4. Southern Counties Gas Company of California shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted will apply only to such bonds as may be issued on or before April 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of November, 1920.

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DECISION NO. 8400.

IN THE MATTER OF THE APPLICATION OF GOOLD AND JOHNS FOR PERMISSION TO RAISE WATER RATES.

Application No. 5371.
Decided November 30, 1920.

WATER RATES—FLAT RATE SERVICE—METERS, INSTALLATION OF RECOMMENDED.—In connection with applications to increase rates the Commission has repeatedly held that an equitable apportionment of the cost of service cannot be made when service is rendered on a flat rate basis; that the installation of meters will not only permit of a proper distribution of charges but will conserve the supply and reduce operating expenses. Schedule of meter rates established and recommendation made that applicants proceed to meter all services.

J. LeRoy Johnson, for Applicant.
MARTIN, *Commissioner.*

OPINION.

Goold and Johns is a copartnership which owns and operates a public utility water system supplying domestic water to the residents of Sunnyside Addition, a small subdivision adjoining the city of Stockton. The application in this matter alleges in effect that the rates now charged for water supplied to consumers do not provide sufficient revenue to yield operating expenses, depreciation and a reasonable return upon the investment. The Commission is therefore asked to establish an adequate schedule of rates.

A public hearing in this matter was held in Stockton of which all interested parties were notified and given an opportunity to be present and be heard.

The present rates were established by the original owners of the system in 1910 or 1911, all service being charged for on the flat rate basis of $1.25 per month for each service.

The water supply is pumped from a well 192 feet deep into a ten thousand-gallon redwood storage tank located upon a 35-foot tower, from which the water is distributed through approximately 3400 feet of 3½-inch steel mains.

In October, 1920, there were 35 active services. At the hearing applicant testified that the capacity of its system is such that it is capable of supplying more than the present demands, and that there is a possibility of extending its service to another subdivision, which would thereby add some twenty consumers to the present system. It appears that such an extension of service would tend toward the more remunerative operation of the system, in that the revenue to be derived would be large in proportion to the expense required for making the necessary extension.

Applicant's system is operated at the present time entirely on a flat rate basis. From time to time the Commission has held that it is

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impossible to establish a schedule of unmeasured rates whereby the burden of maintaining the system is equitably distributed among the various consumers in proportion to their use of water. The benefit to be derived from a metered system is not only an equitable distribution of the charges, but is also a means whereby the water supply can be conserved, good service rendered and operating expenses reduced. On the basis of our investigation in the present matter, a schedule of meter rates will be established for this system, and in the interest of more efficient operation, we recommend that applicants proceed with some systematic program for metering their service.

Mr. M. R. MacKall, one of the Commission's hydraulic engineers, introduced a report covering an appraisement of the properties of applicant. Based upon the estimated original cost as of October 21, 1920, this amount is $36.74. A depreciation annuity, calculated on the six per cent sinking fund method is $46 and a reasonable annual allowance for maintenance and operation expenses is set out as $483. No appraisal of the property of the water system was submitted by applicants. A consideration of the evidence leads to the conclusion that the above estimates are fair, and they will be used for the purposes of this proceeding.

The total annual charges, based upon the foregoing figures, are $823, and the revenues for the twelve months' period from October 1, 1919, to October 1, 1920, were approximately $450. It is evident, therefore, that the applicant is entitled to an increase in rates and the schedule established in the accompanying order is designed to be equitable to both the utility and the consumers.

ORDER.

Goold and Johns, a copartnership, having made application in the above entitled matter, a public hearing having been held thereon, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates now charged by Goold and Johns for water supplied to their consumers are unjust and unreasonable, in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates for such service. And basing its order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion;

It is hereby ordered, that Goold and Johns be and they are hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, the following rates for water delivered to their consumers in Sunnyside Addition and vicinity, said rates to be charged on all bills rendered on and after January 1, 1921:

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Monthly Flat Rates.

Residences	$1 50
Irrigation, for irrigating lawns, shrubbery, gardens, etc., for each square yard of surface actually irrigated	005

Measured Rate Schedule.

Quantity charges per month for use:	
From 0 to 2000 cubic feet, per 100 cubic feet	20
For all over 2000 cubic feet	15
Readiness-to-serve charges per month:	
⅝ and ¾-inch meters	50
1-inch meters	75
1½-inch meters, and larger	1 00

The above readiness-to-serve charges are in addition to the charge per 100 cubic feet.

And it is hereby further ordered, that Goold and Johns file with the Railroad Commission within thirty (30) days from the date of this order, rules and regulations governing the supply of water to consumers, which rules and regulations shall be put into effect within five (5) days of their approval by this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of November, 1920.

DECISION No. 8401.

IN THE MATTER OF THE APPLICATION OF OCEAN VIEW LAND AND WATER COMPANY TO INCREASE RATES.

Application No. 5475.
Decided November 30, 1920.

WATER BILLS—ELIMINATION OF DISCOUNT FOR PAYMENT OF.—The practice of applicant in allowing a discount of 10 per cent on current monthly bills if paid on or before the fifteenth of the month is ordered to be discontinued, it being held that a public utility can adequately protect itself against delinquency in the payment of bills through the establishment of adequate rules and regulations covering this phase of its operation.

W. K. Beattle, for Applicant.
MARTIN, *Commissioner.*

OPINION.

This is an application of the Ocean View Land and Water Company, a public utility engaged in the business of distributing and selling water for irrigation and domestic purposes to consumers in a portion of the city of Upland, San Bernardino County, and a tract of land known as San Antonio Heights, situate just north of the city of Upland.

In this proceeding applicant asks for authority to increase its rates,

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alleging in effect that the present rates do not produce an income sufficient to meet maintenance and operating expenses.

A public hearing was held in this proceeding at Upland, and a field investigation and appraisal of applicant's system was made by a representative of the Commission's engineering department.

Ocean View Land and Water Company was incorporated in 1909 for the purpose of supplying water to a tract of land known as San Antonio Heights. The evidence shows that the company furnishes water to some eighty consumers scattered over a very large and sparsely settled territory. This condition has required a large expenditure for mains in proportion to consumers served, with the result that the revenue produced is not sufficient to meet maintenance and operating expenses. The history of the system indicates that it was built up through a series of transactions which did not tend to economical operation. Legal and financial difficulties have been encountered and the validity of a lease covering a portion of the company's water supply has been questioned, and is now in process of adjudication. The stockholders of the company have not been kept advised of the true conditions, and the difficulties did not come to light until too late to avoid the present situation.

Through the activities of Mr. Milton Stewart, who is president of the company and its principal stockholder, a well has been developed, pumping equipment installed and a reservoir provided, though the financial condition of the company has not been such as to enable it to compensate Mr. Stewart for these improvements, except for taxes and operating expenses, and the company is now heavily in his debt.

Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, submitted a report and appraisal of applicant's system, showing the estimated original cost of the used and useful properties of this utility to be $52,382. Interest on this amount at 8 per cent is $4,190. A replacement annuity of $888 was computed by the sinking fund method, which amount is designed to be set aside for the replacement of worn-out properties. It appears that the maintenance and operation expense for the ensuing year will be approximately $3,600. No other appraisal or estimate was submitted, and Mr. Van Hoesen's figures were accepted by all parties. The total of the amounts set out above as the annual charges is $8,678.

The total operating revenue from this system for 1919 was $3,493. A study of the situation indicates that applicant should have an increased revenue. However, a rate designed to produce the total of the above annual charges would result in an unreasonable burden to the present consumers. Realizing this fact, applicant has submitted a suggested schedule of rates for the Commission's consideration. The

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amount of revenue which this schedule is calculated to produce appears to be fair and reasonable for the service rendered, and the rates established in the following order are designed to yield a revenue equal to that which would be produced by applicant's suggested schedule. However, the schedule submitted by applicant does not, in my opinion, properly distribute the charges among the various consumers in proportion to the service received by them. Therefore the schedule was revised in order to allocate the charges properly.

Heretofore applicant has followed a policy of allowing a discount of 10 per cent on current monthly bills if paid by the fifteenth of the month following that for which they are rendered. The Commission believes that this practice should be discontinued. A public utility can be adequately protected against delinquency in the payment of bills by the establishment of rules and regulations covering this phase of its operation, which may be filed and put into effect upon their approval by the Commission.

After a careful consideration of the evidence herein and all facts relating to the operation of this company, the following order is submitted:

ORDER.

Ocean View Land and Water Company having applied to the Railroad Commission for authority to increase water rates, a public hearing having been held and the Commission being fully apprised in the premises,

It is hereby found as a fact that the rates and charges of Ocean View Land and Water Company, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates and charges,

And basing its order on the foregoing finding of fact and on the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Ocean View Land and Water Company be and it is hereby authorized to file with the Railroad Commission of the State of California within twenty (20) days from the date of this order, and thereafter charge, the following rates:

RATE SCHEDULE.

Quantity rates per month:	
400 cubic feet or less per month	$1 00
From 400 cubic feet to 5000 cubic feet, per 100 cubic feet	20
From 5000 cubic feet to 50,000 cubic feet, per 100 cubic feet	15
All in excess of 50,000 cubic feet, per 100 cubic feet	10

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Minimum charges per month:	
⅝-inch meter service	$1 00
1 -inch meter service	2 00
1½-inch meter service	3 00
2 -inch meter service	4 50
3 -inch meter service	6 00

Fire plugs installed on company's system at $1.50 per plug per month.

It is hereby further ordered, that Ocean View Land and Water Company be and it is hereby directed to file with the Railroad Commission, within thirty (30) days of the date of this order, a schedule of proposed rules and regulations governing the distribution and sale of water to its consumers, said schedule to be subject to correction or amendment by the Commission, and as finally approved, said rules and regulations shall, within ten (10) days of their approval, be placed on file with the Commission and become effective.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of November, 1920.

DECISION NO. 8402.

IN THE MATTER OF THE APPLICATION OF THE CRYSTAL SPRINGS WATER COMPANY OF SAWTELLE, CALIFORNIA, FOR AN INCREASE IN WATER RATES.

Application No. 5920.
Decided November 30, 1920.

WATER RATES—NATURE OF TERRITORY SERVED—COMPETITIVE CONDITIONS.—A water utility whose distributing system is spread over a large territory very sparsely settled, in addition to which its pipe lines parallel the lines of a competing company in a great many instances, can not, as a rule, be operated in an economical manner, and it would be unfair to consumers to require them to pay rates which would yield a fair return upon the entire cost of the considerably overbuilt system, particularly in view of the fact that applicant has not taken steps to develop its available water supply so as to render adequate service.

WATER SERVICE—IMPROVEMENTS.—Due to the fact that there is an imminent possibility of the territory served by applicant being annexed to the city of Los Angeles, in which event the municipal system will take over the consumers of applicant, it will not be required at this time to make expenditures for the improvements to its service; provided, it take steps to conserve its present supply which will be adequate during the winter months.

C. E. Ballard, for Applicant.
MARTIN, *Commissioner.*

OPINION.

Crystal Springs Water Company, applicant herein, is a public utility water company engaged in the business of selling and distributing water for domestic purposes in and in the vicinity of the city of Sawtelle, Los Angeles County, California. In this proceeding it

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is alleged by applicant that the present schedule of rates, which was established in 1906 when the company was organized, does not produce a revenue sufficient to meet operating expenses, replacement fund and interest on the investment.

A public hearing was held in this matter at Los Angeles, of which all of applicant's consumers were duly notified and given an opportunity to appear and be heard.

Several informal complaints have been instituted against this company, and at the hearing a number of consumers were present and considerable evidence was presented purporting to show that the utility does not furnish adequate service to its consumers, and furthermore that the utility had taken an attitude of unfairness in some of its dealings and that there had, in some instances, been a discrimination in rates and service.

On the other hand, it appears that the utility is placed in an unfortunate position by reason of a possible annexation of the territory it serves by the City of Los Angeles, in which event any improvements of wells and pumping equipment which it might make would be a direct loss to the company.

During the past year this company has experienced an extreme water shortage. Several investigations have been made by the Commission's hydraulic engineers, and it was found that the wells from which applicant obtains its supply of water were not producing enough to adequately supply present consumers. This appears to be due to the shallowness of the wells, which only tap the upper water-bearing stratum, the water plane of which has been lowered considerably during the past two years, due to the extreme drought which has prevailed.

It is admitted by the applicant that the most feasible method whereby an adequate supply of water can be obtained is by sinking the wells deeper and installing proper pumping equipment.

Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, submitted a report and appraisal of applicant's properties used and useful in the service of water to the public, showing an estimate of the original cost of the system to be $24,306; a replacement fund computed by the sinking fund method in the amount of $440, and the estimated reasonable annual maintenance and operation cost, $4,204.

Among applicant's exhibits in this proceedings was a statement showing a book value of its properties in the amount of $26,000. There is included in this reported amount the sum of $5,000, which is an estimate by applicant of the value of the land held by it for water production purposes, a large part of which is allowance for water rights over and above the market value of the land.

A study of the evidence leads to the conclusion that the estimates

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submitted by Mr. Van Hoesen are fair. The annual charges computed from these estimates are as follows:

Interest on $24,306 at 8 per cent	$1,944 00
Replacement fund	440 00
Maintenance and operation	4,204 00
Total	$6,588 00

The records of the company show that the total operating revenue for 1919 was $4,624.30. It is therefore apparent that this utility is entitled to an increase in its rates.

However, it appears that the distribution system of Crystal Springs Water Company covers a large area which is very sparsely settled. Furthermore, its pipe lines in many instances parallel the lines of a competing company. These facts render the economic operation of the system very difficult. It would be unfair to applicant's present consumers to require them to pay rates sufficient to yield interest upon the entire cost of this overbuilt system. Furthermore, applicant has not taken steps to develop the water supply available in its water-bearing lands in order to provide an adequate supply for its consumers.

In view of the inadequacy of the present available water supply, applicant should use its best endeavor to prevent waste or extravagant use of water by its consumers. It appears that much water has been wasted during the past year. This is largely due to the fact that approximately two-thirds of applicant's consumers receive service on a flat rate basis. The installation of meters and the delivery of water under a measured rate schedule would tend to conserve the available water supply. In view of this fact it appears advisable that applicant install meters on all services as soon as possible.

Applicant is confronted with a difficult situation with relation to the possible annexation of the territory served by it to the city of Los Angeles. Some time since an election was held at which it was claimed that the inhabitants of this district voted for annexation. A contention as to the legality of this election arose, and the final determination of this matter is now pending before the Supreme Court of this state. Should it be held that this territory has been legally annexed to the city of Los Angeles, it would follow that Los Angeles would provide applicant's present consumers with water. In view of these peculiar circumstances, the Commission does not deem it fair at this time to burden applicant with the expense necessary to install such additions and betterments as would enable it to render adequate service under all conditions and at all times. However, it appears that enough water, if properly conserved, can be developed with the present equipment to serve applicant's consumers adequately until the end of

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the present rainy season, and in the meantime further investigation and study of the situation will develop facts upon which a comprehensive order with relation to service may be based. Such an order, if deemed necessary, will issue in the form of a supplemental order in the present proceeding.

The schedule of rates set out in the following order is designed to return to applicant all maintenance and operation expenses, the replacement fund set out in this opinion, and a certain amount as interest on investment.

ORDER.

Crystal Springs Water Company having applied to the Railroad Commission for authority to increase the rates for water served in and in the vicinity of Sawtelle, Los Angeles County, California, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates and charges of the Crystal Springs Water Company, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates and charges;

And basing its order on the foregoing finding of fact, and on the further statements of fact contained in the opinion which precedes this order:

It is hereby ordered, that Crystal Springs Water Company be and it is hereby authorized and directed to file with the Railroad Commission of the State of California, within twenty (20) days of the date of this order, the following schedule of rates, the rates so filed to be charged for all water delivered to its consumers on and after January 1, 1921, and on that date to be and become effective and supersede any and all rate schedules theretofore in effect or on file by Crystal Springs Water Company:

Monthly Meter Rates.

For use from 0 to 1000 cubic feet, per 100 cubic feet	$0 25
From 1000 to 4000 cubic feet, per 100 cubic feet	20
All in excess of 4000 cubic feet per 100 cubic feet	12

Monthly Minimum Charges.

For ⅝-inch by ¾-inch meters	$1 00
For ¾-inch meters	1 25
For 1-inch meters	1 50
For 1½-inch meters	1 75
For 2-inch meters	2 00

Monthly Flat Rates.

1. Residences, boarding houses, apartments, lodging houses, tenements, and flats of five rooms or less	$1 25
For each additional room	25

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Additional for each bath tub	25
Additional for each toilet	25
Additional for each private garage and one automobile	25
For each additional automobile	25
Additional for private barn, with not more than two horses or cows	50
For each additional horse or cow	20
2. Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., per square yard	003
3. Blacksmith shops, machine shops, lumber yards, printing offices, bakeries, undertaking parlors, grocery stores, theaters, warehouses, butcher shops, and large stores	2 00
4. Drug stores, dental offices and photograph galleries	3 50
5. Bottling works, creameries, slaughter houses, and laundries	5 00
6. Banks, professional offices, billiard parlors, fraternal halls, clubrooms, churches, shops, plumbing shops, stores and shops not otherwise listed	1 50
7. Office buildings, for each room	50
8. Restaurants, chophouses and cafes, per unit seating capacity	15
9. Livery stables and feed yards per average number of stock fed, each	25
10. Barns in connection with stores, shops, etc., not more than two horses	50
For each additional horse	20
11. Garages, six automobiles or less	3 00
For each additional automobile	50
12. Soda fountains and ice cream stands, either alone or in connection with other business	2 50
13. Barber shops, per chair	1 00
Additional for each bath tub	1 00
Additional for each toilet	50
14. Hotels:	
Dining room	2 00
Bedroom and running water	25
Each bath tub	50
Each toilet	30
15. Building work:	
For mortar and to dampen brick, per 1000 brick	35
For cement work, each barrel	15

It is hereby further ordered, that the Crystal Springs Water Company be and it is hereby directed to file with the Railroad Commission, within twenty (20) days from the date of this order, for its approval, rules and regulations governing the distribution of water to its consumers, said rules to become effective on and after January 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of November, 1920.

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DECISION NO. 8404.

IN THE MATTER OF THE APPLICATION OF WALKER D. HINES, DIRECTOR GENERAL OF RAILROADS, OPERATING LOS ANGELES AND SALT LAKE RAILROAD FOR PERMISSION TO ABANDON STATION AT CLEARWATER, CALIFORNIA.

Application No. 4711.
Decided November 30, 1920.

E. E. Bennett, for Applicant.
Ben W. Utter, for residents of Clearwater, Protestant.

BY THE COMMISSION.

OPINION.

Walker D. Hines, Director General of Railroads, operating Los Angeles and Salt Lake Railroad, has petitioned the Railroad Commission for an order authorizing the discontinuance of the station at Clearwater, California, alleging that the small amount of business handled at such station does not justify or warrant the continuance of such station as an agency, particularly as other agency stations are closely adjacent to the station of Clearwater, at which stations the business now transacted through the agency at Clearwater could be handled.

A public hearing on this application was conducted by Examiner Handford at Los Angeles, the matter was duly submitted, and is now ready for decision.

According to statements submitted as a portion of the application in this proceeding, the passenger business for the year ending May 31, 1919, returned a revenue, through ticket sales at Clearwater, of $162.20; the freight revenue covering freight received and forwarded during the same period amounted to $3,592.24, practically all such revenue being derived from the forwarding and receipt of carload shipments. The station of Clearwater is located on the Los Angeles-San Pedro Branch of the Los Angeles and Salt Lake Railroad, and is situated seven-tenths of one mile from Hynes Station and two and four-tenths miles from Workman Station, each of such stations being regular agency points.

A compilation of revenue derived at Clearwater station for the period June 19, to February, 1920, inclusive, indicates that for the nine months' period a passenger revenue of $133.30 was derived from the sale of tickets at Clearwater station and a freight revenue of $8,167.79 was received from freight forwarded and received through the medium of this agency.

The granting of this application is protested by patrons of the Los Angeles and Salt Lake Railroad, served through the agency at Clear-

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water, on the basis that the revenues of this station are increasing and that, as a majority of the business consists of cattle received in carload lots, an agent should be continued at this point to satisfactorily care for such incoming shipments. Protestants also claim as an additional reason for the maintenance of the station that some years ago certain rights-of-way were secured by residents of Clearwater and deeded to the Los Angeles and Salt Lake Railroad without compensation other than an agreement for the maintenance of a station at the present point known as Clearwater.

We have carefully considered all the evidence in this proceeding and are of the opinion and find as a fact that the volume of freight business transacted by the Los Angeles and Salt Lake Railroad at the station of Clearwater does not justify the granting of the application herein. The close proximity of the station at Hynes, located but seven-tenths of a mile south of the station of Clearwater, suggests the advisability of combining the stations of Clearwater and Hynes under the jurisdiction of one agent, such agent to divide his time on some equitable basis in accordance with traffic conditions between the stations of Hynes and Clearwater, and the order in this proceeding will be so conditioned.

ORDER.

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted and the Commission being fully advised;

It is hereby ordered, that this application be and the same hereby is denied; provided, however, that the Los Angeles and Salt Lake Railroad may establish in lieu of the requested abandonment of the agency at Clearwater an arrangement whereby the agencies at Clearwater and Hynes be consolidated under the care of one agent, such agent to divide his time between the respective stations on a basis that is warranted by traffic conditions at the respective stations.

It is hereby further ordered, that Los Angeles and Salt Lake Railroad Company advise this Commission within fifteen days from the date of service of this order as to its intention regarding the continuance of the agency station at Clearwater or the establishment of a joint agency covering the stations of Hynes and Clearwater, as hereinabove authorized as an alternate proposition.

Dated at San Francisco, California, this thirtieth day of November, 1920.

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DECISION NO. 8405.

C. A. SMITH LUMBER COMPANY
vs.
SOUTHERN PACIFIC COMPANY.
Case No. 328.

THE PACIFIC LUMBER COMPANY, ET AL.
vs.
SOUTHERN PACIFIC COMPANY.
Case No. 335.

C. A. SMITH LUMBER COMPANY ET AL.
vs.
SOUTHERN PACIFIC COMPANY.
Case No. 338.

C. A. SMITH LUMBER COMPANY ET AL.
vs.
SOUTHERN PACIFIC COMPANY.
Case No. 339.

C. A. SMITH LUMBER COMPANY
vs.
SOUTHERN PACIFIC COMPANY ET AL.
Case No. 341.

Decided November 30, 1920.

REPARATION—LONG AND SHORT HAUL PROVISIONS—AUTHORIZED VIOLATIONS OF.—It is held that the decision of the Supreme Court in *California Adjustment Company* vs. *Atchison, Topeka and Santa Fe Railway*, 179 Cal. 140, is not in conflict with the position taken by this Commission in granting carriers relief from the long and short haul provisions on shipments moved subsequent to February 15, 1912, and that the prior order in the present proceeding should be amended to provide that reparation should be allowed only on shipments moving prior to February 14, 1912, which was the date of the first order of the Railroad Commission relieving carriers from the long and short haul provisions.

F. T. Westfall, for Complainants.
Henley C. Booth, for Defendants.

BY THE COMMISSION.

FIRST SUPPLEMENTAL OPINION AND ORDER.

Since the denial, on October 11, 1920, of the petition for rehearing, a petition was filed by the Southern Pacific Company on October 27, 1920, for a supplemental order modifying the Commission's decision and order made herein on August 12, 1920.

By the terms of the order in question, reparation was granted as to all shipments made prior to June 19, 1916, which was the date of the final orders in Cases 214 (a), (b), (e) and (f), authorizing the continuance in effect of certain freight rates in violation of the long and short haul provisions of the state constitution and of section 24 of the Public Utilities Act.

As pointed out in the opinion preceding this order, these decisions of June 19, 1916, Nos. 3436, 3437, 3440 and 3441, "were in confirma-

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tion of the earlier formal orders made in said proceedings under dates of October 26, 1911, November 20, 1911, January 19, 1912 and February 15, 1912, which orders this Commission believed were sufficient to relieve the carriers from the long and short haul provision above referred to." It was further stated in the Commission's opinion, however, that the decision of the Supreme Court in the case of *California Adjustment Company* vs. *Atchison, Topeka and Santa Fe Railway Company,* 179 Cal. 140, held adversely to the Commission's belief, and in effect decided that, under the provisions of the constitution and the Public Utilities Act, the Commission had no authority to relieve the carriers from the long and short haul provisions until its final order was made in the proceedings initiated by application filed by the carriers for such relief. A careful analysis of the decision in 179 Cal. 140, indicates that it does not go to the extent of overruling, in effect, the Commission's prior decisions in which the Commission exercised its jurisdiction to grant relief from the long and short haul provisions after application had been filed by the carriers and proper investigation made by the Commission.

California Packing Corporation vs. *Southern Pacific Company and Santa Fe Railway Company,* Decision No. 4003 (Vol. 12, Opinions and Orders of the California Railroad Commission, p. 261);
Santa Fe Traffic Association vs. *Southern Pacific Company,* Decision No. 2884 (Vol. 8, Opinions and Orders of California Railroad Commission, p. 390).

The Supreme Court in the case referred to decided that the Commission is without jurisdiction to make an effective order relieving the carriers from the long and short haul provisions of the constitution and Public Utilities Act in absence of proper application to the Commission by the carriers affected and due investigation by the Commission.

It is pointed out by the Supreme Court on page 150 of the opinion that the record before the court showed that the defendant carrier never filed any application before December 30, 1911, *and that no investigation was had on this application prior to the commencement of the action,* and that no order was finally made approving any of the rates or fares contained in the schedules filed by the carrier.

It is very evident, from this statement in the opinion, that the record of the case before the Supreme Court did not fully set forth the facts which are relied upon by the Commission in its earlier decisions granting relief from the long and short haul provisions. This is shown by the following quotation from the Commission's Decision No. 2884 above

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referred to (Vol. 8, Opinions and Orders of Railroad Commission of California, pp. 390, 393):

> The evidence in this proceeding shows clearly that the investigations thus conducted by the rate department were extended and exhaustive and that frequent conferences on this subject were held, as the investigation proceeded, between the Commission and its rate department, prior to the order of February 15, 1912. This investigation, as shown by the evidence herein, covered not merely the general subject but also was specifically directed to the individual deviations shown in the petitions of the carriers. The order of February 15, 1912, was based upon these investigations.

We are of the opinion, therefore, that the decision of the Supreme Court in the case of *California Adjustment Company* vs. *Atchison, Topeka and Santa Fe Railway Company*, 179 Cal. 140, is not in conflict with the position heretofore taken by the Commission granting relief from the long and short haul provisions for all shipments moved subsequent to February 15, 1912.

We conclude, therefore, that the petition for a modification of this Commission's first opinion and order herein should be granted, and that reparation should be allowed only for all shipments moving prior to February 15, 1912, which was the date upon which the Commission first made an order relieving the carriers from the long and short haul provisions, and which order, as shown by the above quotation from the Commission's Decision No. 2884, was based upon an investigation by the Commission after application duly filed by the carrier.

ORDER.

It is hereby ordered, that the order heretofore issued herein on the twelfth day of August, 1920, under Decision No. 7982, be amended by substituting the date "February 15, 1912," in place of the date, "June 19, 1916," appearing in the second paragraph of the order, so that said paragraph as amended shall read as follows:

> *It is hereby ordered*, that the Southern Pacific Company is hereby authorized and directed to pay to complainants who made the shipments involved and who paid and bore the charges thereon as their interests may appear, sums equal to the difference between the charges paid, with interest, and those that would have accrued at the rates in effect to more distant points on shipments made prior to February 15, 1912, provided such shipments were covered by claims presented to the Railroad Commission within the statutory period.

Said order in other respects to remain unchanged.

Dated at San Francisco, California, this thirtieth day of November, 1920.

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DECISION No. 8406.

IN THE MATTER OF THE APPLICATION OF THE COAST VALLEYS GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS.

Application No. 5094.
Decided November 30, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission on December 9, 1919, by Decision No. 6915, authorized Coast Valleys Gas and Electric Company to issue and sell at not less than 85 per cent of their face value plus accrued interest, $125,000 of its first mortgage bonds; and

Whereas, applicant has asked permission to sell the bonds at not less than 70 per cent of their face value plus accrued interest, or deposit them as collateral to secure the payment of ten-year 8 per cent notes;

And the Commission being of the opinion that the bonds should not be sold for less than 80 per cent of their face value plus accrued interest, and that otherwise the request of applicant should be granted; now, therefore,

It is hereby ordered, that the order in Decision No. 6915, dated December 9, 1919, as amended, be and it is hereby modified so as to permit Coast Valleys Gas and Electric Company to sell the $125,000 of bonds referred to in said order at not less than 80 per cent of their face value plus accrued interest, or deposit them as collateral to secure the payments of ten-year 8 per cent notes. In depositing them as collateral to secure the payment of the ten-year 8 per cent notes, said bonds are to be deposited at the ratio of $3,000 face value of bonds for every $2,000 face value of notes. As payments are made on said notes, a proper proportion of bonds shall be returned to applicant and thereafter not again deposited as collateral, except as authorized by the Railroad Commission.

It is hereby furthered ordered, that the order in Decision No. 6915, dated December 9, 1919, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this thirtieth day of November, 1920.

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DECISION NO. 8409.

IN THE MATTER OF THE APPLICATION OF COAST VALLEYS GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF THREE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS.

Application No. 6204.
Decided November 30, 1920.

Chickering and Gregory, by *Warren Gregory*, for Applicant.
MARTIN, *Commissioner*.

OPINION.

In this application, as amended at the hearing, Coast Valleys Gas and Electric Company asks permission to execute a collateral trust agreement; to issue and sell under said agreement $220,000 of ten-year 8 per cent notes; and issue, and sell or deposit as collateral, $375,000 of bonds.

Applicant reports that up to August 31, 1920, it expended for plant extensions, additions and betterments, the sum of $133,865.88, against which this Commission has not authorized the issue of any bonds. A large part of these expenditures have been incurred at the suggestion of the Commission, or its engineering department, in order to enable applicant to give better and more adequate service.

In Exhibit No. 5, applicant estimates that it will have to expend for the acquisition of property and construction, and completion of extensions and improvements of its facilities, the sum of $407,300. Applicant reserves the right to change, if necessary, its construction program as outlined in its Exhibit No. 5 and build such extensions and make such improvements as future conditions and development may dictate.

In view of this reservation and the suggestion of applicant, any moneys obtained through the issue of bonds herein authorized, on account of expenditures made after August 31, 1920, may be disbursed only as permitted by the Commission in a supplemental order or orders.

In its original application applicant asked authority to sell $375,000 of its first mortgage bonds at not less than 70 per cent of their face value, plus accrued interest. At the hearing it amended its application and now asks permission to either sell the bonds at the price indicated or deposit them as collateral to secure the payment of ten-year 8 per cent notes. The order herein will permit applicant to sell the bonds at not less than 80 per cent of their face value, plus accrued interest, or deposit them as collateral.

Applicant has made arrangements for the sale of $220,000 of ten-year 8 per cent notes. These notes are to be secured by applicant's first mortgage bonds at the rate of $3,000 par value of bonds for each

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$2,000 par value of notes issued. The agreement of sale further provides that the company shall keep sufficient first mortgage bonds deposited with the trustee under the collateral trust agreement securing the payment of the notes so as to permit and enable the Superintendent of Banks to certify the notes as legal investments for savings banks of California. The company has not submitted a copy of its proposed collateral trust agreement. The effective date of the authority herein granted must of necessity be held in abeyance until the Commission has authorized the company to execute the collateral trust agreement.

In Decision No. 6915, dated December 9, 1919, as amended, the Commission authorized applicant to issue and sell on or before December 31, 1920, at not less than 85 per cent of their face value plus accrued interest, $125,000 of bonds. Applicant has not sold any of the bonds authorized in said decision. It now asks permission to use the $125,000 of bonds, together with such additional bonds as may be necessary and as the Trustee under its first mortgage may be permitted to certify, as collateral security for the payment of its ten-year 8 per cent notes.

I herewith submit the following form of order:

ORDER.

Coast Valleys Gas and Electric Company, having applied to the Railroad Commission for permission to issue $375,000 of its first mortgage bonds, and $220,000 of its ten-year 8 per cent notes, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of said bonds and notes, is reasonably required by applicant, and that the expenditures herein authorized are not reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Coast Valleys Gas and Electric Company be and it is hereby authorized to issue $375,000 face value of its first mortgage 6 per cent bonds due March 1, 1952.

It is hereby further ordered, that Coast Valleys and Gas Electric Company be and it is hereby authorized to issue $220,000 of ten-year 8 per cent notes.

The authority herein granted is subject to the following conditions:

1. The bonds herein authorized to be issued may be sold by applicant for not less than 80 per cent of their face value, plus accrued interest, or in the amount of $205,000 may be used as collateral to secure in part the payment of its ten-year 8 per cent notes; provided, that the amount of bonds deposited as collateral shall be at the rate of $3,000 par value of bonds for each $2,000 par value of notes issued and sold. The ten-year 8 per cent notes herein authorized to be issued shall be sold by

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applicant for not less than 94 per cent of their face value, plus accrued interest.

2. The moneys obtained through the issue and sale of the notes herein authorized shall be used by applicant to reimburse its treasury, and after such reimbursement, shall be expended by applicant to pay the cost of constructing plant extensions, additions and betterments as set forth in Exhibit No. 5 attached to the petition herein, or for such other purpose or purposes as the Railroad Commission may authorize.

3. Any moneys obtained from the sale of the bonds herein authorized shall be expended only for such purpose or purposes as the Railroad Commission may hereafter authorize by a supplemental order or orders.

4. As ten-year 8 per cent notes are being paid, a proper proportion of the bonds shall be returned to applicant, and not deposited again as collateral except as authorized by the Commission.

5. The authority herein granted to issue and sell the ten-year 8 per cent notes will not become effective until the Railroad Commission has authorized the execution of the collateral trust agreement defining the terms and conditions under which such notes will be issued.

6. Coast Valleys Gas and Electric Company shall keep such record of the issue, deposit and sale of the bonds and notes herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

7. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

8. The authority herein granted will apply only to such bonds and notes as may be issued, deposited or sold on or before June 30, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of November, 1920.

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DECISION No. 8413.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO ISSUE AND SELL ADDITIONAL BONDS IN THE AMOUNT OF SIX HUNDRED THIRTY-ONE THOUSAND FIVE HUNDRED DOLLARS.

Amended Supplemental Application No. 4, under Application No. 4966.

Decided December 2, 1920.

BY THE COMMISSION.

FOURTH SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission, by Decision No. 6689, dated September 30, 1919, as amended, authorized Southern Counties Gas Company of California to issue on or before December 31, 1920, $631,500 of its first mortgage 5½ per cent bonds due May 1, 1936; and

Whereas, applicant reports that all of said bonds have been sold except $108,400; and

Whereas, applicant in its fourth supplemental petition filed in this proceeding, asks permission to deposit the $108,400 of bonds as part security for the $400,000 of ten-year 8 per cent collateral trust bonds, the issue of which was authorized by Decision No. 8399, dated November 30, 1920; and it appearing to the Railroad Commission that applicant's request should be granted; now, therefore,

It is hereby ordered, that the order in Decision No. 6689, dated September 30, 1919, as amended, be and it is hereby modified so as to permit Southern Counties Gas Company of California to deposit the $108,400 of first mortgage bonds to which reference has been made, as part security for the payment of the $400,000 of ten-year 8 per cent collateral trust bonds, the issue of which is authorized by the order in Decision No. 8399, dated November 30, 1920, said $108,400 of first mortgage bonds to be deposited subject to the terms and conditions of the order in said Decision No. 8399 dated November 30, 1920, and in Decision 8398.

It is hereby further ordered, that the order in Decision No. 6689 dated September 30, 1919, as amended, shall remain in full force and effect, except as modified by this fourth supplemental order.

Dated at San Francisco, California, this second day of December, 1920.

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DECISION No. 8416.

IN THE MATTER OF THE APPLICATION OF BOULDER CREEK ELECTRIC LIGHT AND WATER COMPANY, A CORPORATION, AND MOUNTAIN LIGHT AND WATER COMPANY, A CORPORATION, AND W. H. BISSEL AND J. C. HUGHES.

Application No. 5930.

Decided December 8, 1920.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Whereas, Santa Cruz County Utilities in a supplemental application filed in the above-entitled matter asks permission to modify and amend its mortgage or deed of trust executed pursuant to the authority granted in Decision No. 8008, dated August 26, 1920, as amended, so as to provide for an issue of first and refunding mortgage bonds instead of first mortgage bonds and directly reserve $18,500 of said first and refunding bonds to pay or refund $18,500 of bonds issued by Mountain Light and Water Company now outstanding;

And the Commission being of the opinion that the supplemental application should be granted;

It is hereby ordered, that Santa Cruz County Utilities be and it is hereby authorized to execute amendments to its mortgage and deed of trust heretofore executed pursuant to the authority granted in Decision No. 8008, dated August 26, 1920, said amendments to be substantially in the same form as the amendments attached to the supplemental petition filed December 1, 1920 and marked Exhibit "A";

Provided, that the approval herein given of said amendments is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said amendments as to such other legal requirements to which said amendments may be subject.

It is hereby further ordered, that the order in Decision No. 8008, dated August 26, 1920, as amended, shall remain in full force and effect, except as modified by this third supplemental order.

Dated at San Francisco, California, this eighth day of December, 1920.

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DECISION No. 8434.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING IT TO ISSUE, SELL AND DELIVER FIFTY THOUSAND SHARES OF ITS COMMON STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS EACH.

Application No. 5312.

Decided December 8, 1920.

BY THE COMMISSION.

FOURTH SUPPLEMENTAL ORDER.

Southern California Edison Company having reported, in its fourth supplemental petition in the above entitled matter, that it has on deposit in a special fund the sum of $145,000 obtained from the sale of stock authorized to be issued by orders in Applications Nos. 2743, 4790 and 5312, and that it has expended to April 30, 1920, for new construction and for the acquisition of properties the sum of $886,-885.68, against which no stock or bonds have been issued; and applicant having asked permission to use the $145,000 to pay in part for new construction and properties acquired prior to April 30, 1920, and the Railroad Commission being of the opinion that applicant's request should be granted; now, therefore,

It is hereby ordered, that Southern California Edison Company be and it is hereby authorized to use the $145,000 obtained from the sale of stock authorized to be issued by orders in Applications Nos. 2743, 4790 and 5312, to reimburse its treasury or to pay indebtedness to finance in part expenditures on capital account incurred prior to April 30, 1920, and reported in the third supplemental petition in the above entitled matter.

It is hereby further ordered, that the orders heretofore made in Applications Nos. 2743, 4790 and 5312, as amended, shall remain in full force and effect, except as modified by this fourth supplemental order.

Dated at San Francisco, California, this eighth day of December, 1920.

DECISION No. 8443.

IN THE MATTER OF THE FINANCIAL STATUS OF CITRUS BELT GAS COMPANY, CONSTRUCTION AND OPERATION OF ITS PROPERTIES, AND THE SERVICE RENDERED IN THE CITY OF REDLANDS AND VICINITY, ON THE COMMISSION'S OWN MOTION.

Case No. 1516.

Decided December 15, 1920.

SERVICE—ADEQUACY OF—REDUCTION IN BILLS ACCOUNT OF.—The Commission, in establishing an increased schedule of rates for gas service rendered by Citrus Belt Gas Company, expressly conditioned such increase upon the maintenance

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of satisfactory service conditions, and investigation showing that the service has been extremely inadequate both as regards pressure, quality of gas and interruptions, respondent directed to discount all monthly bills for December twenty per cent; provided, that no bill shall be rendered for less than the minimum of sixty cents.

Z. T. Bell, for Citrus Belt Gas Company.
F. A. Leonard, for City of Redlands.
H. W. Allen, for a Committee of the Bondholders of the Citrus Belt Gas Company.

BRUNDIGE, *Commissioner*.

OPINION.

This case was instituted on the Commission's own motion to determine the conditions under which the Citrus Belt Gas Company is operating, the quality of service rendered, and such other matters relative thereto as should be investigated.

It appears from the evidence presented in this case at the hearing held in Redlands on Friday, December 10, that the quality of service rendered by Citrus Belt Gas Company during the past month has been very poor. Numerous interruptions to service have occurred and extended periods of low pressure have existed, resulting in little or no service being rendered and a greatly reduced efficiency of use of such gas as obtained by consumers.

The rates for gas service in Redlands which were made effective by the Commission in its Decision No. 8123, Application No. 6010, dated September 20, 1920, resulted in a material increase in the cost of service to consumers and were made with the specific understanding that Citrus Belt Gas Company would render adequate service. The Commission, in the opinion therein set forth, stated as follows:

> The higher rates herein granted to applicant impose upon it the obligation to improve its service and fully maintain its system.

The evidence in this proceeding, however, shows very definitely that during the past month applicant has utterly failed to render any where near adequate service. Several times complete interruptions of service occurred, as above stated, and, in general, during the month the service was so poor that a very materially reduced efficiency of use occurred.

A careful investigation of the matter was made by the Commission's Assistant Chief Engineer and his staff and it was the conclusion of these engineers, and was recommended to the Commission at the hearing in this proceeding, that as a result of the totally inadequate service rendered, both as regards pressure, quality of gas and interruptions, that the bills of the consumers should be adjusted by discounting all bills rendered, based upon all regular meter readings taken during the month of December, 1920, 20 per cent, with the exception that no bill should be reduced below the minimum charge of 60 cents per meter per month.

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I find, in view of the utter failure of Citrus Belt Gas Company to render the service which was contemplated when the rates were increased in September, that the company should be required to discount the bills as recommended by the Commission's engineers.

Other matters, pertaining to the financial status, construction and operation and service rendered, are under consideration by the Commission in connection with this proceeding but will not be decided at this time.

I recommend the following form of order:

ORDER.

An investigation having been instituted on the Commission's own motion into the financial status of Citrus Belt Gas Company, the construction and operation of its properties and the service rendered in the city of Redlands, and it being found just and reasonable that a discount of 20 per cent should be made on all bills, based on all regular meter readings taken during the month of December, 1920, due to the poor quality of service rendered;

It is hereby ordered, that Citrus Belt Gas Company be, and the same is, hereby directed to apply a discount of 20 per cent to the bills for gas service rendered in Redlands, based upon regular meter readings taken during the month of December, 1920, and the schedule now in effect, provided that no monthly bill shall be rendered for less than 60 cents per meter per month.

It is hereby further ordered, that Citrus Belt Gas Company shall submit to this Commission, on or before December 31, 1920, proof that this order has been fully carried out.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of December, 1920.

DECISION NO. 8444.

APPLICATION FOR PERMISSION TO CHANGE A RATE OR FARE OR RATES OR FARES ON LESS THAN THIRTY DAYS NOTICE, MOUNTAIN EXPRESS, SAN DIEGO, CALIFORNIA.

Application No. 6244.

Decided December 17, 1920.

Warren E. Libbey, for Applicants.

BY THE COMMISSION.

OPINION.

B. H. Vreeland, L. S. Everts and C. A. Richardson, partners in business operating under the fictitious name of Mountain Express,

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have petitioned the Railroad Commission for an order authorizing the issuance on less than thirty days notice of a freight and express tariff and rules and regulations governing same.

A public hearing on this application was conducted by Examiner Handford at San Diego, the matter was duly submitted and is now ready for decision.

Applicants propose to issue a tariff and rules and regulations governing same as shown by Exhibit "A" attached to the application in this proceeding. The proposed tariff covers graduated rates on a mileage basis to which have been added terminal charges with certain exceptions covering the return haul of empty containers.

Mr. B. H. Vreeland, one of the applicants, testified that the rates charged by the Mountain Express for the carriage of freight and express are on the same basis as when the line was originally established during the year 1917, the present partnership having succeeded to the operation in August, 1920. A statement, filed as an exhibit, shows that the total earnings for the months of August, September and October, 1920, inclusive, aggregated $18,689.47 and the total expense of operation for the same months was $24,683.07 or a net loss of $5,993.60 or a net loss per annum of $23,974.32. A substantial increase in the costs of labor, tires, gasoline and other supplies used in the operation of the line has occurred since the commencement of operation by the existing partnership; such increases being approximately 40 per cent over the former costs. The proposed increases will average from 15 to 17 per cent and are estimated by the applicants to produce a revenue from operation that will put the business on a profitable basis.

The proposed rates, assuming that their application increases the revenue by 15 to 17 per cent and that the same relative amount of business will be handled under such increased rates, will not offset the operating expense as reflected above and the application therefore becomes one that is of an emergency nature rather than an application calculated to establish rates on a basis that will produce an adequate return on the capital invested after caring for the costs of operation, maintenance and depreciation.

At the hearing on this application there was no protest on the part of the public or competing carriers objecting to the granting of the desired application.

After careful consideration of all the evidence and the exhibits filed in this proceeding, we are of the opinion and find as a fact that the rates proposed by applicants in exhibit attached to and forming part of the application are necessary to meet the increased costs of labor, material and supplies and to enable applicants to continue the conduct of their business as a common carrier of freight and express.

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ORDER.

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted, the Commission being fully advised and basing its order on the finding of fact as set forth in the preceding opinion;

It is hereby ordered, that B. H. Vreeland, L. S. Everts and C. A. Richardson, partners in business operating under the fictitious name of Mountain Express, be and they hereby are authorized to publish on five days notice to the public and filing with this Railroad Commission schedules of rates and rules and regulations applicable to the transportation of freight and express matter between San Diego and El Centro and intermediate points in accordance with the schedule of rates and accompanying rules and regulations filed as an exhibit attached to the application in this proceeding.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of December, 1920.

DECISION NO. 8445.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO ELECTRIC RAILWAY COMPANY FOR PERMISSION TO SELL ITS POWER HOUSE AND PLANT TO THE SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY, AND FOR THE APPROVAL OF A CONTRACT TO PURCHASE POWER.

Application No. 6218.

IN THE MATTER OF THE APPLICATION OF THE UNITED LIGHT, FUEL AND POWER COMPANY TO SELL ITS STEAM HEATING SYSTEM TO THE SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY.

Application No. 6219.

IN THE MATTER OF THE APPLICATION OF THE SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND SELL FIVE HUNDRED THOUSAND DOLLARS FACE VALUE OF ITS FIRST MORTGAGE FIVE PER CENT GOLD BONDS AND SIX HUNDRED AND FOUR THOUSAND DOLLARS PAR VALUE OF ITS PREFERRED STOCK.

Application No. 6226.

Decided December 18, 1920.

San Diego Electric Railway Company authorized to transfer to the San Diego Consolidated Gas and Electric Company its electric generating plant in exchange for $425,000 face value of bonds and $575,000 par value of stock of the purchasing company and the United Light, Fuel and Power Company authorized to transfer its steam heating plant to the same utility in exchange for $75,000 of bonds and $25,000 of stock of the purchasing company.

R. G. Dilworth, for San Diego Electric Railway Company and United Light, Fuel and Power Company.

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Sweet, Stearns and Forward, and *Chickering and Gregory*, by *Allen L. Chickering*, for San Diego Consolidated Gas and Electric Company.

LOVELAND, *Commissioner*.

OPINION.

The above entitled applications were consolidated for hearing and decision.

In Application No. 6218, San Diego Electric Railway Company asks permission to sell for the sum of $1,000,000 its power house and electric generating plant described in Exhibit "A" attached to the petition to San Diego Consolidated Gas and Electric Company. In payment for the properties, the company has agreed to accept $425,000 of 5 per cent first mortgage bonds and $575,000 of 7 per cent preferred stock of San Diego Consolidated Gas and Electric Company.

In Application No. 6219, United Light, Fuel and Power Company asks permission to sell for $100,000 its steam heating system, described in Exhibit "A" attached to the petition, and franchises, to San Diego Consolidated Gas and Electric Company. The company has agreed to accept in payment for the properties $75,000 of 5 per cent bonds and $25,000 of 7 per cent preferred stock of San Diego Consolidated Gas and Electric Company.

In Application No. 6226, San Diego Consolidated Gas and Electric Company asks permission to issue $500,000 of its first mortgage 5 per cent bonds and $600,000 of its 7 per cent cumulative preferred stock in payment for the properties of San Diego Electric Railway Company and United Light, Fuel and Power Company referred to in the preceding paragraphs. It further asks permission to issue and sell at not less than 96 per cent of its par value $4,000 of its 7 per cent cumulative preferred stock and use the proceeds to pay expenses incurred in connection with the purchase of the properties.

San Diego Electric Railway Company owns an electric generating plant located in San Diego. The plant has an installed capacity of 9,200 kilowatts. The original cost of the plant, as of December 31, 1919, is reported at $1,082,279.25. The Railroad Commission in Decision No. 2384, dated May 12, 1915, determined the reproduction cost of the power plant, real estate, building, fixtures and equipment as of June 30, 1914, to be $1,081,230.43. From June 30, 1914, to December 31, 1919, the company has expended on improvements to the plant and equipment the sum of $132,306.10, making the so-called reproduction value as of December 31, 1919, amount to $1,213,536.53.

In Decision No. 6836, dated November 14, 1919, the Railroad Commission reviewed the financial and operating conditions of San Diego Electric Railway Company and found that the cost at which the company was generating its electrical energy was high. In its endeavor to secure less expensive power, the company has agreed to sell, and

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asks permission to sell, its generating plant to San Diego Consolidated Gas and Electric Company for $1,000,000 and accept in payment $425,000 of that company's first mortgage 5 per cent bonds and $575,000 of its 7 per cent cumulative preferred stock. The bonds and stock will be used by San Diego Electric Railway Company to reduce its outstanding bonded indebtedness. All of the outstanding bonds of San Diego Electric Railway Company have been acquired at eighty-five by, and are now owned by, J. D. and A. B. Spreckels Securities Company. The securities company has agreed to exchange Railway Company bonds at eighty-five, for the stock and bonds of San Diego Consolidated Gas and Electric Company at the actual market value of such securities at the time the exchange is made. Through this transaction more than $1,000,000 of San Diego Electric Railway Company bonds should be retired, thereby reducing the company's bonded outstanding indebtedness to less than $2,724,000.

There has been filed in Application No. 6218 a copy of the proposed power contract between San Diego Electric Railway Company and San Diego Consolidated Gas and Electric Company. This contract has been examined by the Gas and Electric Division of the Commission's Engineering Department and found to be satisfactory.

United Light, Fuel and Power Company operates a steam heating distributing system in San Diego and an electric distributing system in Coronado. The company purchases the steam it distributes from the San Diego Electric Railway Company, at the power plant of the Railway Company, such steam being produced by the Railway Company in connection with the generation and distribution of electric current. United Light, Fuel and Power Company asks permission to sell for $100,000 its steam distributing system and franchises to San Diego Consolidated Gas and Electric Company, and accept in payment $75,000 of purchasing company's 5 per cent first mortgage bonds and $25,000 of its 7 per cent cumulative preferred stock. The original cost of the steam distributing system as of December 31, 1919, is reported at $136,873.93 and the original cost less depreciation at $100,000. Among the properties which United Light, Fuel and Power Company asks permission to sell to San Diego Consolidated Gas and Electric Company are the rights and privileges under Ordinance No. 4696, approved April 3, 1912, and Ordinance No. 5251 approved September 8, 1913. Under these ordinances the company may construct, maintain and operate steam pipe conduits upon and along certain streets subject to the terms and conditions of the ordinances.

Mr. H. H. Jones, President and General Manager of San Diego Consolidated Gas and Electric Company, testified that the increase of the Gas and Electric Company's business necessitated the installation

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of additional capacity at its present plant or the purchase of the Railway Company's power plant. He regards the latter much less expensive, and is of the opinion that the price which the Gas and Electric Company has agreed to pay for the properties is fair and reasonable.

To enable it to purchase the properties to which reference has been made, San Diego Consolidated Gas and Electric Company asks permission to issue $604,000 of 7 per cent preferred stock and $500,000 of its 5 per cent first mortgage bonds. Of the bonds $425,000 will be delivered to San Diego Electric Railway Company and $75,000 to United Light, Fuel and Power Company. Of the stock $575,000 will be delivered to San Diego Electric Railway Company; $25,000 to United Light, Fuel and Power Company, and $4,000 sold at not less than 96 per cent of its par value and the proceeds used to pay expenses incidental to the purchase of the properties. Though the company asks permission to issue $500,000 of bonds to pay in part for certain properties which it intends to acquire, the Commission will not insist that the cost of the acquired properties be included in the statement filed with the trustee under the company's first mortgage, as a condition precedent to the certification and delivery of bonds by the trustee. For the purpose of having its bonds certified by the trustee, the company may include in its statements any expenditures permitted by the terms and conditions of the mortgage.

I herewith submit the following form of order:

ORDER.

Applications having been filed with the Railroad Commission involving the transfer of properties and the issue of securities, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured by the issue of bonds and stock of San Diego Consolidated Gas and Electric Company, as herein authorized, is reasonably required by the company and that the expenditures for the acquisition of such properties are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that San Diego Electric Railway Company be and it is hereby authorized to sell and San Diego Consolidated Gas and Electric Company to purchase the power house and plant described in Exhibit "A" attached to the petition in Application No. 6218, said sale and purchase to be made pursuant to the terms of the agreements attached to the petition in said Application No. 6218 and marked Exhibits "B" and "C" respectively.

It is hereby further ordered, that United Light, Fuel and Power Company be and it is hereby authorized to sell and San Diego Con-

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solidated Gas and Electric Company to purchase the steam heating distributing system and franchises described in Exhibit "A" attached to the petition in Application No. 6219, said sale and purchase to be made pursuant to the terms and conditions of the agreements attached to the petition in Application No. 6219 and marked Exhibits "B" and "C."

It is hereby further ordered, that San Diego Electric Railway Company and San Diego Consolidated Gas and Electric Company be and they are hereby authorized to enter into a power contract substantially in the same form as the power contract filed in Application No. 6218.

It is hereby further ordered, that San Diego Consolidated Gas and Electric Company be and it is hereby authorized to issue $604,000 par value of its 7 per cent cumulative preferred stock and $500,000 face value of its first mortgage 5 per cent gold bonds due March 1, 1939.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized to be issued, $575,000, and of the bonds herein authorized to be issued, $425,000, shall be issued at par and delivered to San Diego Electric Railway Company in full payment for the power house and plant which it is herein authorized to sell to San Diego Consolidated Gas and Electric Company, said San Diego Electric Railway Company is hereby permitted to take said stock in part payment for said power house and plant.

2. Of the stock herein authorized to be issued, $25,000, and of the bonds herein authorized to be issued, $75,000, shall be issued at par and delivered to United Light, Fuel and Power Company in full payment for the steam heating distributing system which it is herein authorized to sell, said United Light, Fuel and Power Company is hereby permitted to take said stock in part payment for said steam heating distributing system.

3. Of the stock herein authorized to be issued, San Diego Consolidated Gas and Electric Company may sell at not less than 96 per cent of its par value $4,000 and use the proceeds to pay expenses incidental to the purchase of the properties from San Diego Electric Railway Company and United Light, Fuel and Power Company.

4. Within sixty days after their execution, San Diego Consolidated Gas and Electric Company shall file with the Commission verified copies of the instruments of conveyance under which it secures and holds title to the properties which it is herein authorized to purchase.

5. The securities herein authorized to be issued and the consideration given in payment for the properties shall not be binding upon this Commission, or any body of competent jurisdiction, as a measure of value of said properties for the purpose of fixing rates or for any purpose other than the transfer herein authorized.

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6. Within sixty days after the date hereof, San Diego Consolidated Gas and Electric Company shall file with the Railroad Commission a stipulation duly authorized by its Board of Directors, declaring that San Diego Consolidated Gas and Electric Company, its successors and assigns, will never claim before that Railroad Commission a value for the rights and privileges secured under the franchises or ordinances which it will acquire from United Light, Fuel and Power Company in excess of the amount actually paid to the City of San Diego as a consideration for the granting of such franchises, which amount shall be set forth in the stipulation and shall have received from the Railroad Commission a supplemental order declaring that such stipulation has been filed in satisfactory form with the Railroad Commission.

7. San Diego Consolidated Gas and Electric Company shall keep such record of the issue and sale of the bonds and stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

8. The authority herein granted will not become effective until San Diego Consolidated Gas and Electric Company has paid the fee prescribed by the Public Utilities Act.

9. The authority herein granted will apply only to such transfer of property as may be effected on or before June 1, 1921, and to such bonds and stock as may be issued on or before June 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of December, 1920.

DECISION NO. 8446.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, AND MOUNT SHASTA POWER CORPORATION, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING THE EXECUTION OF A MORTGAGE AND THE ISSUANCE OF BONDS.

Application No. 6387.

Decided December 20, 1920.

William B. Bosley and *C. P. Cutten*, for Applicants.

EDGERTON, *Commissioner*.

OPINION.

Pacific Gas and Electric Company asks authority to issue and sell at 93½ per cent of their face value plus accrued interest $10,000,000

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of 7 per cent twenty-year bonds under and in accordance with the provisions of the agreement filed in this proceeding and marked Exhibit "C." Pending the delivery of permanent bonds, the company intends to issue interim certificates in lieu of the bonds.

Pacific Gas and Electric Company owns all of the outstanding stock, except shares necessary to qualify directors, of Mount Shasta Power Corporation. This company has undertaken and is engaged in constructing hydroelectric plants on the Pit River and its tributaries, utilizing the waters thereof. Permission to construct hydroelectric plants was granted by the Commission in Decision No. 8212, dated October 6, 1920.

It is estimated that during 1921 and 1922 Mount Shasta Power Corporation and Pacific Gas and Electric Company will have to spend more than $20,000,000 for new plants and for additions and betterments to their properties. A. F. Hockenbeamer, vice president of the Pacific Gas and Electric Company, reported that the company at this time had two forms of securities to finance new construction, that is, its 6 per cent first preferred stock and its 5 per cent general and refunding bonds. Because of present market conditions, the 5 per cent bonds must be offered at so large a discount as to make the sale of this form of security inadvisable. It has been concluded by applicants to provide for a new form of security, to be issued under a mortgage that shall constitute a direct lien on all the property of Pacific Gas and Electric Company now owned or hereafter acquired, subject to present outstanding bonds and a direct lien on the properties of Mount Shasta Power Corporation. Applicants have not submitted a copy of the proposed mortgage and suggest that the authority to issue the bonds shall not become effective until the Commission by supplemental order has authorized the execution of the mortgage. The order will contain a condition to that effect and a further condition that none of the moneys obtained from the sale of the bonds or interim certificates be expended except as authorized by the Commission in a supplemental order or orders.

I herewith submit the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to issue and sell $10,000,000 of 7 per cent twenty-year bonds, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by Pacific Gas and Electric Company and Mount Shasta Power Corporation, and that the purposes for which applicants intend to use the proceeds are

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not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Pacific Gas and Electric Company be and it is hereby authorized to issue and sell at 93½ per cent of their face value, plus accrued interest, $10,000,000 of 7 per cent twenty-year bonds, or interim certificates of a like amount, under and in accordance with the provisions of the agreement filed in this proceeding and marked Exhibit "C."

The authority herein granted is subject to the following conditions:

1. The authority herein granted to issue bonds shall not become effective until the Commission has by supplemental order authorized the execution of a mortgage or deed of trust securing the payment of the bonds.

2. The proceeds obtained from the sale of the bonds or interim certificates shall be used for the purpose of acquiring and paying for additional property and for the construction of additions and betterments to the properties of Pacific Gas and Electric Company and Mount Shasta Power Corporation; provided, however, that the proceeds be expended only as authorized by the Commission in a supplemental order or orders.

3. Pacific Gas and Electric Company shall keep such record of the issue and sale of the bonds or interim certificates herein authorized and of the disposition of the proceeds as will enable it to file, on or before the 25th day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until Pacific Gas and Electric Company has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such bonds, or interim certificates, as may be issued and sold on or before June 30, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twentieth day of December, 1920.

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DECISION NO. 8447.

IN THE MATTER OF THE APPLICATION OF F. W. GOMPH, AGENT, PACIFIC FREIGHT TARIFF BUREAU, FOR PERMISSION TO INCREASE THE LESS THAN CARLOAD RATES AND THE CLASSIFICATION OF PRESERVED FRUITS WHEN PACKED IN GLASS, EARTHENWARE, METAL CANS OR WOODEN CONTAINERS.

Application No. 6214.

Decided December 20, 1920.

CLASSIFICATION—CANNED GOODS—PROPOSED INCREASES IN.—In connection with an application to increase the present classification of canned and preserved fruits the Commission holds that while a uniform classification is desirable and would remove alleged discriminations now existing, in view of the fact that rates have been increased in many different ways during the last few years, present rates have reached a point where further advances would not be to the advantage of the carriers, especially in the transportation of short haul traffic. Application denied.

R. C. Fyfe and *F. W. Gomph*, for Applicant.
Seth Mann, for the San Francisco Chamber of Commerce, the Canners' League of California and the Northern California Wholesale Grocers' Association.
Preston McKinney, for the Canners' League of California.
G. J. Bradley, for Merchants' and Manufacturers' Traffic Association of Sacramento.
F. M. Hill, for Fresno Traffic Association.
W. D. Wall, for Traffic Bureau of San Jose Chamber of Commerce.

LOVELAND, *Commissioner*.

OPINION.

Under date of October 16, 1920, F. W. Gomph, Agent, in the name of and on behalf of all carriers parties to Pacific Freight Tariff Bureau Exception Sheet No. 1-G, C. R. C. No. 221, filed an application for permission to change the classification of preserved fruits. Item No. 326, covered by the application, became effective August 15, 1920, in Supplement No. 2 to the Exception Sheet.

The proposed changes in the classification apply only to less than carload shipments and were published in Supplement No. 7 to Consolidated Freight Classification No. 1, C. R. C. No. 217, on page 30, as items 3 and 4, to become effective on August 15, 1920. Before the effective date of the supplement protests were filed by California fruit packers and this Commission instructed the Pacific Freight Tariff Bureau to restore the classifications as they appeared originally on page 175, under items 12 and 13 in Consolidated Classification No. 1.

The present and proposed ratings are set forth below:

Commodity	Present	Proposed
Applies on intrastate traffic within California only.		
Fruit, other than dried, evaporated or fresh; canned or preserved, in juice or syrup, or in liquid other than brine or alcoholic liquor, fruit butter, crushed fruit, fruit jam, fruit jelly or fruit pulp:		
In glass or earthenware, packed in crates	3	1
In glass or earthenware, packed in barrels or boxes	4	2
In kits	2	2
In kits, in crates	4	3
In pails or tubs	2	2
In pails or tubs, in crates	4	3
In metal cans, in crates	3	3
In bulk, in barrels	4	3
In metal cans, in barrels or boxes	4	3

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The principal witness for applicant, Mr. R. C. Fyfe of Chicago, agent for carriers in the Western Classification territory, testified that the classification prevailing for preserved fruits was unreasonably low and that there was a desire and a necessity for uniformity as between the three classification groupings—Eastern, Southern and Western. Attention was directed to the present rating of 4th class for fruits in metal or glass containers and the claim made that such rating was improper, inasmuch as fruit, being an article of high value, should not classify the same as salt, stone, sand, lime, cement, lumber and other commodities having much lower values. It was further contended that the fruit in glass being more susceptible to damages should be classified higher than fruit in cans and by reason of the greater risk to the fruit in glass, second class would be proper as against third class for fruits in cans.

The reclassification here proposed is claimed to follow the suggested classification laid down by the examiner in I. C. C. Docket No. 10204 Consolidated Classification Case, decided July 3, 1919, but which report was not adopted by the Interstate Commerce Commission. Referring to Appendix No. 6 of the decision at page 271, it is to be noted that the Special Classification Committee proposed fourth class for fruit in glass, earthenware, or in metal cans when packed in barrels or boxes, while the examiner suggested second class in glass or earthenware and third class in metal cans. The examiner's suggestion was observed in its entirety by Supplement No. 7 to Consolidated Freight Classification No. 1 as far as the Western ratings were concerned, but deviated to some extent in the ratings made for official and southern territory. The reason for failure to comply entirely with the suggested classifications was not set forth in the testimony presented at the hearing in the present proceeding.

This application is opposed by shippers, not because they are unfavorably disposed to a uniform classification, but mainly upon the ground that the charges for the transportation of preserved fruits in less than carload lots have greatly advanced during the past few years. Objection was also made to the proposed separation in the classification by applying third class to fruit in metal and second class when packed in glass or earthenware. This latter rating, it is alleged, would create discrimination against the glass container, which has recently become popular and by reason of the manner of packing is claimed to be as safe for transportation purposes as the metal cans.

It is not necessary to make an extensive analysis of protestants' exhibits showing the increases in charges because of rate changes since June 24, 1918, when the first advances were made by General

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Order No. 28, issued by the Director General of Railroads. The following are the typical illustrations of the changes:

Preserved fruit in glass, Los Angeles to San Bernardino advanced from 21 cents on June 24, 1918, to 33 cents on August 26, 1920. It is proposed by this application to classify the fruit in glass second class, which would make a rate of 45½ cents per 100 pounds as against the 21 cents in effect June 24, 1918. On fruit in metal cans between the same points the rate was 21 cents; proposed third class would make a rate of 40½ cents. From Fresno to Bakersfield the rate in glass or earthenware, boxed, June 24, 1918, was 23 cents; the present rate is 36½ cents, while under the proposed rating of second class the rate would become 49 cents. Prior to June 24, 1918, the rate between the same points on preserved fruit in metal cans was 23 cents, is now 36½ cents, and if the proposed third class rating is permitted to go into effect, would be 40½ cents. From San Francisco to Bakersfield, preserved fruit, in metal cans, boxed, was 46 cents on June 24, 1918; the present rate is 72 cents, while the proposed third class rating would be 80 cents. The rates to all other points would be proportionately increased.

There was testimony to the effect that the loss and damage claims are few in number in connection with the transportation of preserved fruits, whether packed in glass, earthenware or metal cans; also that the convenient size of the package makes it easy to handle as compared with many commodities having the same rates.

The record does not definitely establish when the fourth class rating was first put into effect in the Western Classification territory, but it was admitted by witnesses for applicant, and concurred in by those representing protestants that the present classification of the preserved fruits has been in use for more than twenty years.

California produces an extremely large tonnage of fruit; there are canneries and packing houses throughout the state and the movement of preserved fruits is heavy, going to the jobbing centers in carloads and being distributed throughout the state in less than carload quantities. No effort was made by applicant to show the tonnage moved in less than carload lots, nor the increased revenue expected to accrue because of the changes in classifications. The desire for uniformity appears to be the controlling factor in the minds of the carriers, regardless of the effect the higher classification of the commodities would have upon the revenues.

Consolidated Freight Classification No. 1, effective December 30, 1919, was published while the railroads were under federal control and contains standard rules and regulations for the Official, Southern

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and Western territories, but provides separate and distinct ratings for the commodities in the three groupings. Some slight effort was, no doubt, made in formulating this classification to bring about uniform ratings, but owing to the different conditions existing, the reclassification of commodities was not seriously attempted at the time.

Uniform classification is desirable and would, no doubt, remove alleged discriminations now existing, but in view of the fact that rates have been increased in many different ways during the past few years until, it is claimed by the shippers that they have reached a level where the movement by railroad has been curtailed. I am of the opinion that further increases would not be to the advantage of the carriers, especially in the transportation of short haul traffic.

Effective August 26, 1920, the carriers within the State of California were authorized to increase freight rates by 25 per cent. The decision of this Commission in Application No. 5728 followed the action taken by the Interstate Commerce Commission in its proceeding *ex parte* 74, which action was in compliance with the Esch-Cummins Law, known as the Transportation Act, 1920. In that proceeding in addition to a 25 per cent increase in freight rates there was a 20 per cent increase in passenger fares and a 50 per cent increase in Pullman fares. The action taken by the Interstate Commerce Commission and this Commission gave consideration to the testimony, the exhibits, and to the statements submitted by the carriers upon which their financial needs were based and included the revenue secured from the transportation of preserved fruits, and was intended to give to the carriers approximately 6 per cent upon the value of their property.

It appears that the granting of this application authorizing the reclassification of these fruits, would produce large increases in revenue, giving the carriers something more than was anticipated in the increases already authorized under the provisions of the Transportation Act.

Without at this time passing upon the reasonableness of these proposed classification changes, I am of the opinion that under the traffic conditions now existing and the further fact that the effect of the rate increases heretofore granted have not been thoroughly demonstrated that the application should be denied.

I submit the following form of order:

ORDER.

A public hearing having been held in the above entitled proceeding, testimony having been presented and the case having been submitted for decision, and the Railroad Commission basing its conclusions on the statements of fact which appear in the opinion preceding this order;

It is hereby ordered, that the application be denied, without prejudice.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twentieth day of December, 1920.

DECISION NO. 8448.

IN THE MATTER OF THE APPLICATION OF THE DIAMOND RIDGE WATER COMPANY, A CORPORATION, FOR A RAISE IN RATES FOR FURNISHING AND DELIVERING WATER TO ITS CONSUMERS.

Application No. 5563.

Decided December 20, 1920.

John W. Dorsey and *W. E. Cashman*, for Applicant.
B. D. Marx Greene, for Diamond Ridge Water Users Association.
Frank F. Atkinson, for Frank Walsh et al., Protestants.

LOVELAND, *Commissioner*.

OPINION ON REHEARING.

On June 30, 1920, the Commission issued its Decision No. 7814 in the above entitled proceeding, establishing certain rates to be charged for water service by the Diamond Ridge Water Company. On July 17, 1920, petition for rehearing was filed by the Diamond Ridge Water Users Association, it being alleged that the rate established for lawn and garden irrigation was excessive. It was further alleged that protestants had not had proper opportunity to present their case, and that they desired a rehearing for the purpose of presenting testimony upon the question of the reasonableness of the rates for irrigation of lawns and gardens.

Thereupon the Commission set the matter for a rehearing. Further evidence was introduced with relation to rates and a stipulation was entered into whereby the company agreed to furnish domestic service at the rate of $1.50 per month with a charge of $3 per month for service to the hotel at Diamond Springs, these rates to remain in effect pending final determination by the Commission in this matter.

From the evidence submitted it appears equitable that a reduction should be made in the rate formerly established for lawn and garden irrigation, and further, that a rate should be fixed for service to the hotel at Diamond Springs. By reason of such modifications the form of rate schedule authorized in the Commission's original decision herein would be somewhat changed, and the schedule set out in the following order will therefore supersede the schedule set out in Decision No. 7814. The opinion which precedes that order, however, will stand approved.

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Taking all of the above matters into consideration, I recommend the following form of order:

ORDER.

Diamond Ridge Water Company having applied to the Railroad Commission for an order authorizing it to increase its rates, public hearings having been held, and the Commission being fully apprised in the premises;

It is hereby found as a fact, that the present rate schedule of the Diamond Ridge Water Company, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by said company for water;

And basing its order upon the foregoing finding of fact, and the other statements of fact contained in the opinion which precedes this order, and in the opinion of the Commission in Decision No. 7814;

It is hereby ordered, that Diamond Ridge Water Company be, and it is hereby authorized and directed to file with this Commission within twenty (20) days from the date of this order, and thereafter charge the following rates:

For domestic use (flat rate):	
For each residence, store, etc.	$1 50 per month
Sprinkling or irrigation of lawns, shrubbery, gardens, etc., up to and including 2,500 square feet per month	3 cents per 100 square feet
In excess of 2,500 square feet per month	1 cent per 100 square feet
For irrigation purposes (measured rate):	
Per miner's inch day (24 hours)	$ .30
(One miner's inch equals a flow of one-fortieth of a cubic foot per second.)	
For industrial purposes (flat rate):	
California Door Company	$75 00 per month
Caldor Railroad Company	25 00 per month
For hotel at Diamond Springs (flat rate)	3 00 per month

It is hereby further ordered, that this order of the Commission shall supersede the order of the Commission (Decision No. 7814), dated June 30, 1920, in the above entitled proceeding, said former order being hereby rescinded and set aside, the opinion which precedes said order, however, to stand approved.

The foregoing opinion on rehearing and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California, this twentieth day of December, 1920.

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DECISION No. 8449.

IN THE MATTER OF THE APPLICATION OF MOORE PARK WATER, LIGHT AND POWER COMPANY, TO EXECUTE AND DELIVER MORTGAGE TO SECURE EXISTING INDEBTEDNESS AND TO EXECUTE AND DELIVER NOTE OR NOTES AND MORTGAGE TO SECURE ADDITIONAL LOANS AND FOR AUTHORITY TO INCREASE ITS RATES AND SCALE OF CHARGES TO PATRONS FOR SERVICE.

Application No. 6028.

Decided December 20, 1920.

Harry W. Hansen, for Applicant.

W. Mark Durley, for Moorpark Chamber of Commerce and various other water users.

BY THE COMMISSION.

OPINION.

Moore Park Water, Light and Power Company applies for authority to execute note and mortgage and increase its rates for water served in and about Moorpark, Ventura County.

A public hearing was held by Examiner Westover upon the application at Los Angeles.

Water is obtained from tunnels or springs stored in tanks of about 5000 gallons capacity and distributed through pipes to 135 connections, all but ten of which are metered, and these the utility plans to meter in the near future. Laterally it has been obliged to purchase water to supplement its gravity supply. This added supply comes from the well of J. M. Robinson who furnishes 7000 gallons additional storage at his well.

At the time of the hearing, considerable complaint was made of the quality of applicant's service, which the testimony showed was poor at times during peak hours, because of insufficient capacity of pipes in some portions of the system and because of inadequate storage facilities. The Commission is informed, however, that since the hearing, larger pipe has been procured and that applicant is proceeding in good faith to remedy these conditions and furnish good service.

Applicant presented no engineering testimony, but relies upon the report of the Commission's engineers. They estimate the original cost of used and useful property at $10,013; the replacement annuity at $164; maintenance and operation at $954; and purchase of water (based on 1920 purchases at 35 cents per 1000 gallons) at $1,287, making the total estimated annual charges $3,206. The gross annual revenue of the Company shown by its annual reports has been as follows: 1913, $685.58; 1914, $671.84; 1915, $866; 1916, $1,060.30; 1917, $1,350.85; 1918, $1,380.17; and 1919, $1,568.01. The operating expenses for 1919, including purchase of water, were $1,759.30, thus

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showing a deficit of $191.29. The increase in operating expenses in 1920 is due to heavy increase in quantity of water purchased. During 1920 (the latter part of the year being estimated) this amounted to 3,676,000 gallons, for which the utility paid 50 cents per thousand gallons. The Commission's engineers have estimated the cost, depreciation and operating expenses of the plant from which the water is purchased, and find the fair cost of such water to applicant to be 35 cents per thousand gallons, which is the agreed cost for the future.

The proposed improvements of the system, it is believed, will remedy the service complaints and enable applicant to furnish the high standard of service required by the Commission. Consumers expressed willingness to pay reasonable increases in rates, provided they receive in return first class service. It is estimated that schedule of rates found in the order will pay the annual charges of the system as it existed at the time of the valuation, and that the steady increase in business illustrated by the growth in revenue in recent years, will provide an adequate return upon the additions and betterments.

Applicant is indebted to Farmers' Bank of Moorpark in the sum of $3,750, of which $1,750, secured by mortgage upon its plant, became due August 30, 1919, and $2,000 of which is evidenced by a six months' unsecured note, dated April 7, 1919, both bearing interest at 7 per cent per annum. The improvements to the plant installed and now being installed applicant estimates will cost about $2,065 (bringing its total estimated investment up to $12,078). Applicant asks permission to extend the time of payment of the two present notes and borrow such additional sums as may be necessary from time to time to provide needed improvements to its system. Arrangement should be made to consolidate these several loans and suitable authority therefor will be found in the order. We cannot give blanket authority for indefinite future loans.

ORDER.

Moore Park Water, Light and Power Company having applied for authority to issue notes, execute mortgage and increase its schedule of water rates; a public hearing upon the application having been held, the matter being submitted and ready for decision, and it appearing that the proceeds of said notes are reasonably required for the purposes specified in this order, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income:

The Commission hereby finds that the present rates of applicant are inadequate and noncompensatory, but that the rates hereinafter set forth are just and reasonable rates. Basing its order upon the above finding and upon all findings or statements of facts contained in the opinion preceding this order;

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It is hereby ordered, that Moore Park Water, Light and Power Company be and it is hereby authorized and directed to file within twenty days from the date hereof its schedule of water rates set forth below and thereafter charge and collect the following rates:

Service charge, per month, 50 cents.
All water to be used to be charged at the following rates:

From 0 to 600 cubic feet per month	$0 35 per 100 cubic feet
All water used above 600 cubic feet per month	30 per 100 cubic feet
Water furnished tank wagons, per month	05
No minimum tank wagon charge.	
Flat rates, per month	1 75

It is hereby further ordered, that said Moore Park Water, Light and Power Company be and it is hereby authorized and empowered to issue its note or notes in sums aggregating not more than $6,000 for a period or periods not to exceed three years, at a rate of interest not exceeding 7 per cent per annum, and to execute and deliver mortgage securing the payment of all or part of said indebtedness substantially in the form of mortgage accompanying the application as an exhibit thereto, said mortgage to be a first lien upon the property described in the schedule attached hereto as Exhibit "A," providing the aggregate term or terms of maturity of said notes shall not exceed the period of three years.

The proceeds to be derived from the issue of said note or notes shall be used as follows: $3,750 to retire notes in favor of Farmers' Bank of Moorpark, and $2,250 to pay for the improvements to applicant's system now being made or contemplated, and for improvements thereto hereafter to be made as more particularly set forth in statement filed with the Commission on November 13, 1920.

The above authority is granted upon the following conditions:

(*a*) That said note or notes shall be issued and sold at par without the payment of commission or allowance of discount.

(*b*) Moore Park Water, Light and Power Company shall keep such record of the issue of the notes herein authorized as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(*c*) The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(*d*) The authority herein granted shall apply only to such notes as may be issued on or before sixty days from date hereof.

(*e*) Within ten days after the mortgage herein authorized is executed, certified copy thereof shall be filed by applicant with the Commission.

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(*f*) The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

Dated at San Francisco, California, this twentieth day of December, 1920.

Exhibit "A" to be attached to opinion and order upon Application No. 6028.

Description of property to be covered by mortgage.

EXHIBIT "A."

All that certain real property situate in the Rancho Simi, county of Ventura, State of California, and particularly described as follows:

Part of lots "U" and "V," as the same are designated and delineated upon that certain map entitled "Map of a part of Tract 'L' of Rancho Simi, Ventura County, California, showing the townsite of Moorpark and lands of Madeline R. Poindexter, a resubdivision of Freemont Tract," and recorded in the office of the county recorder of said Ventura County in Book 5 of Miscellaneous Records (Maps), at page 5, and particularly described as follows:

Beginning at a point, which is common to the northwest corner of said lot "V" and the northeast corner of said lot "U", as delineated upon the above described map; thence from said point of beginning.

First—South 89 degrees 55 minutes west 148.50 feet along the north line of said lot "U" to a point; thence,

Second—South 733.22 feet to a point; thence,

Third—North 89 degrees 55 minutes east 297.00 feet; at 148.50 feet a point in the boundary line between said lots "U" and "V"; at 297.00 feet a point; thence,

Fourth—North 733.22 feet to a point in the north line of said lot "V"; thence along same;

Fifth—South 89 degrees 55 minutes west 148.50 feet to the point of beginning and containing 5.00 acres.

Also the transmission pipe line owned by the corporation beginning at the tunnel on the real estate hereinabove described, and running therefrom to a tank owned by the corporation and located on the following described real estate in the town of Moorpark, California, to wit: Lot 42 Wicks subdivision of Moorpark, and consisting of a six-inch concrete pipe.

The distributing water system of the company, owned by the corporation, and laid in and located in the streets of the town of Moorpark, including the pipe line leading up to the water meter of J. B. Fox located in Walnut Canyon on lot "O", adjacent to lot 1, Walnut Canyon tract, said distributing system consisting of a two-inch pipe line north of the railroad tracks and a one and one-half-inch pipe line south of the railroad tracks of the Southern Pacific Railroad Company, together with a small amount of one-inch pipe, including all service meters owned by the corporation and used in connection with said distributing system or in the possession of the applicant at Moorpark, California.

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DECISION No. 8459.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY TO INCREASE GAS AND ELECTRIC RATES IN ITS STOCKTON DIVISION.

Application No. 5942.

Decided December 20, 1920.

ELECTRIC RATES—MUNICIPAL SERVICE—INCREASES NOT MADE EFFECTIVE BY UTILITY.—When the Commission establishes an increased schedule of rates for an electric utility, which increases provide for an increase in the rates charged for municipal service and the utility elects not to make such latter increase effective, the loss in revenue which it sustains through such action must be borne by the utility itself and cannot be transferred to other consumers through further increases in other classes of rates.

RATE OF RETURN—COST OF MONEY.—In view of the fact that funds invested in applicant's properties during the years 1919 and 1920 and to be invested for extensions and betterments in the immediate future have borne and will continue to bear a substantially higher rate of interest than the bulk of its capital heretofore invested, recognition of this excess should be reflected in the rate of return, which is fixed at 10.5 per cent.

Revised schedule of rates for both gas and electric service of applicant in the City of Stockton established to become effective for all meter readings made on and after December 30, 1920.

Cummins, Roemer, Flynn and *McKenna; Nutter, Hancock* and *Rutherford;* and *Chickering and Gregory*, by *Allen L. Chickering*, for Applicant.

M. P. Shaughnessy, for City of Stockton.

MARTIN, *Commissioner.*

OPINION.

In this proceeding Western States Gas and Electric Company seeks authority to increase its rates for gas and electricity supplied in its Stockton division. Applicant is engaged in the manufacture and distribution of gas in the city of Stockton and suburbs, and in the generation and distribution of electricity in a limited section of central California, including portions of the counties of San Joaquin, Sacramento, El Dorado, Amador and Calaveras.

A hearing was held in Stockton on September 8, 1920, at which time evidence relating to applicant's past, present and future gas and electric operations was fully presented. The matter is submitted and now ready for decision.

The rates now charged by Western States Gas and Electric Company in its Stockton division for electricity and gas were established by Decision No. 6196 in Applications Nos. 3605 and 3962, dated March 13, 1919, and have since been in effect.

In the period since applicant's rates were last fixed by the Commission its operating expenses have generally increased. Special attention is directed, however, to the following items:

1. The major part of the electrical energy supplied by applicant is purchased from Pacific Gas and Electric Company, from Pacific

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Gas and Electric Company, lessee of Sierra and San Francisco Power Company, and from Great Western Power Company, all of which in the interim since applicant's rates were established, have been granted increases in the rates applicable to the power supplied to applicant, aggregating $75,000 per annum.

2. Wages paid employees in its gas and electric departments are on a higher level than heretofore. The increase in annual operating expenses from this source aggregates $52,000 per annum.

3. The price of oil used by applicant in its standby steam-electric generating plant and in its gas manufacturing plant has advanced from $1.75 per barrel, which price prevailed at the time its present rates were established, to $2.30 per barrel, which is the minimum price that applicant anticipates it will be required to pay for oil upon the expiration of its present contract on October 31, 1920. This affects applicant's gas business to a far greater extent than its electric operations.

Applicant alleges that the increases in operating expenses hereinabove set forth have not been offset by increased revenue, and that as a result, it is no longer able to earn a reasonable return upon its investment in its properties in the Stockton division. Applicant also directs the Commission's attention to the increased cost of money as the same affects the returns to be derived from its business.

In the consideration of applicant's revenues, operating expenses and earnings, for the purpose of this proceeding the extent of its business for the twelve months period ending June 30, 1921, will be taken as a basis. This contemplates such normal increase in the extent of both gas and electric service as has been experienced during the past three years. In ascertaining the proper operating expenses in both the gas and electric departments of applicant's business, such portions thereof as involve the use of fuel oil are calculated upon the present price of $2.30 per barrel delivered in Stockton. Wages are reflected by the present scale now in force, and taxes, as included, cover all proper levies of municipalities, counties, the State of California and the federal government against applicant's earnings, securities or property.

Referring first to applicant's electric operations in its Stockton division, it appears from the evidence herein that the annual revenue to be derived from the present electric rates and surcharges and the proper operating expenses to be incurred in this service are as set forth in the following table:

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TABLE No. I.

Western States Gas and Electric Company, Stockton Division.

Electric Revenue and Operating Expenses.

Gross electric revenue from existing rates and surcharges		$1,281,325 00
Electric operating expenses:		
Production expense, including maintenance and operation of hydro and steam plants and purchased energy	$563,335 00	
Transmission expense	34,005 00	
Distribution expense	65,557 00	
Commercial expense	31,380 00	
General and miscellaneous expense	109,826 00	
Taxes	98,508 00	
Insurance	16,618 00	
Total operating expense		$919,227 00
Net income applicable to electric department depreciation and return		$362,098 00

The items of electric revenues and operating expenses shown above have been deduced from a full review of the evidence in this proceeding. The gross revenue to be derived from the rates now in effect is inclusive of the revenue which applicant would have received from municipal street lighting service under the rates and surcharges heretofore authorized it by this Commission, but from which it has deviated to the extent of waiving the surcharge for such municipal service, availing itself of its right so to do under section 5 of General Order No. 45 of this Commission. Obviously, the proper consideration of applicant's electric revenue should be based upon established standard rates, and the diminution of its return by reason of applicant's favoritism in the instances of municipal service it supplies should not, in our opinion, be counted adversely against its regular consumers.

As was indicated in the opinion in Decision No. 6196, *supra*, the principle applying is that "If applicant elects not to charge this additional 10 per cent on municipal street lighting service it must do so at its own loss, and in any rate-fixing proceeding hereafter we shall require applicant to show as its revenue from this source not the amounts which it may collect under such reduced rates but the proper amounts which would result from the addition of this 10 per cent surcharge. In other words, if applicant elects to carry the burden instead of placing it upon its street lighting consumers, where it belongs, it will do so at its own loss and will not be entitled before this Commission to claim an insufficiency of revenue by so doing."

At the hearing herein applicant stated that it seeks no increases in the rates charged for municipal street lighting service and desires that the rates for this service now charged, which have not been subject to any increase, continue without modification. It further stipulates

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that it will continue to avail itself of the option to favor municipal service and accept the loss incidental to the continuance of such lower rates.

Under the conditions which it is reasonably proper to assume as to revenue and operating expenses of applicant's electric business, the above table shows that the present rates will yield an annual net income of $362,098 for depreciation and return.

The adequacy of the net income from applicant's electric operations must be measured by the relation it bears to capital. In the earlier proceedings in which applicant's rates were at issue, this Commission has concluded, that while there may be some doubt as to the complete accuracy of applicant's capital accounts, nevertheless its actual figures of capital afford a proper comparative basis in ascertaining the adequacy of its earnings.. Under rates which have at all times been generally less than those charged by similar electric utilities in the central part of California, it has demonstrated its ability in the past to earn a net income for depreciation and return in excess of 10.25 per cent of its own figures of capital, inclusive of physical properties, materials and supplies and working cash capital, and in authorizing surcharges effective in March, 1919, this basis was accepted as reasonable.

Applicant's electric operations during the twelve months ending June 30, 1920, show an earning of slightly less than 12 per cent for depreciation and return on its average capital for this period. On the same basis as heretofore adopted and found reasonable by this Commission, it would appear that applicant's average electric capital to be considered in connection with the present modification of its rates is the sum of $4,541,000, which is inclusive of its physical properties, materials and supplies and working cash capital. With the present rates continued in effect the net electric income, shown above as $362,098, indicates a reduction in earnings to less than 8 per cent for depreciation and return. In view of the fact that the funds invested in applicant's properties during the years 1919 and 1920 and to be invested in extensions and improvements to service in the immediate future, have borne and will continue to bear substantially higher interest rates than the great bulk of its capital heretofore invested, some recognition of this excess should be reflected in its rate of return. From a consideration of relative amounts of capital thus involved it is reasonable to conclude that an earning of 10.50 per cent upon applicant's capital for depreciation and return, after the deduction of operating expenses, would properly reflect the extent to which its more recent improvements have been financed under higher money costs. In adjusting applicant's electric rates at the present

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time, therefore, it is my conclusion that in addition to being permitted to earn its operating expenses as shown above, applicant is entitled for the service that it renders a sum equivalent to 10.50 per cent of $4,541,000, or $476,805, to provide for depreciation and a return upon its invested capital in electric properties. To meet these conditions additional revenue must be provided from its electric business and in establishing the electric rates set forth in the order herein the increases authorized will adjust applicant's electric revenues to the extent contemplated.

Referring now to applicant's gas business in the city of Stockton and suburbs, it appears that for the year ending June 30, 1921, applicant will supply 417,000,000 cubic feet of gas to about 10,400 consumers. In this service, revenue should be derived from present rates and expenses incurred in accordance with the following table:

TABLE No. 11.

Western States Gas and Electric Company, Stockton Division.

Gas Revenue and Operating Expenses.

Gross Gas Revenue from Existing Rates		$451,850 00
Gas operating expenses:		
Production	$207,040 00	
Distribution	28,455 00	
Commercial	13,767 00	
General and miscellaneous	39,541 00	
Taxes	35,743 00	
Insurance	4,468 00	
Total operating expense		329,014 00
Net income applicable to gas department depreciation and return		$122,836 00

In determining the cost of manufacturing gas included in the operating expenses shown above, oil used in gas manufacture has been included at a price of $2.30 per barrel, which, from the evidence herein, appears to be the minimum price which will prevail in the immediate future. It may be well to point out at this time that although the price of oil to applicant has increased from 75 cents per barrel in 1916 to the price shown above, the increases in its rates for gas service have been much less than have been found necessary in other gas companies to absorb the rising price of oil. This is due largely to the fact that approximately 40 per cent of the gas supplied in the city of Stockton is natural gas, obtained from local sources, so that the increase in the price of oil has affected the cost of only a fraction of the output.

It further appears that a fair basis of earnings on applicant's gas capital, as shown from the evidence herein, would result in its receiving a net income of $168,000 for depreciation and return upon its average gas capital for the period considered, which includes working cash

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and materials and supplies in addition to physical properties. Reference to the preceding table shows that the effect of increased operating expenses, principally oil and labor, unless met by increases in gas rates at this time, will reduce applicant's net income by approximately $45,000 per annum below a reasonable return on its gas business. Applicant is entitled to such gas rates as will under present conditions equalize the increased level of its operating expenses. The rates set forth in the order herein as applying to applicant's gas service in the city of Stockton and vicinity are intended to produce the earnings to which, under present conditions, it is entitled.

I submit the following form of order:

ORDER.

Western States Gas and Electric Company having applied to the Railroad Commission for authority to increase its gas and electric rates in its Stockton division, a hearing having been held, the matter submitted and being now ready for decision, and the Railroad Commission, after due consideration of the evidence herein, finding that the present rates and charges of Western States Gas and Electric Company for gas and electricity supplied in Stockton division are not just and reasonable rates and that the rates set forth herein are just and reasonable rates to be charged by Western States Gas and Electric Company for gas and electricity in its Stockton division;

It is hereby ordered, that Western States Gas and Electric Company be and it is hereby authorized to charge and collect for electricity supplied in its Stockton division, effective for all regular meter readings taken on and after the thirtieth day of December, 1920, the following schedules of rates applicable to the several classes of service and under the conditions set forth:

SCHEDULE L-1.

General Lighting Service.

(Applicable to general domestic and commercial lighting service.)

Territory.

City of Stockton and surrounding suburbs.

Rate.

		Rate per kilowatt hour Gross	Net
First	30 kilowatt hours per meter per month	8 cents	7 cents
Next	170 kilowatt hours per meter per month	7½ cents	6½ cents
Next	300 kilowatt hours per meter per month	5½ cents	5½ cents
Next	500 kilowatt hours per meter per month	4½ cents	4½ cents
All over	1000 kilowatt hours per meter per month	3½ cents	3½ cents

Minimum charge.

$1 per meter per month.

Special conditions.

The net rate is effective providing the bill for service is paid on or before the tenth day after date of presentation of bill, otherwise the gross rate applies.

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SCHEDULE L-2.

General Domestic Lighting Service.

Territory.
Stockton division, excepting the city of Stockton and surrounding suburbs.

Rate.
First 30 kilowatt hours per meter per month_____9 cents per kilowatt hour
All over 30 kilowatt hours per meter per month_____7 cents per kilowatt hour

Minimum charge.
$1 per meter per month.

SCHEDULE L-3.

Sign and Display Lighting Service.

Territory.
City of Stockton and surrounding suburbs.

Rate.
6 cents per kilowatt hour.

Minimum charge.
$2.50 per installation per month.

SCHEDULE C-1.

General Heating and Cooking Service and Combination Service.

(Applicable to general domestic and commercial heating service, to cooking and water heating service, and to combination lighting, heating and cooking or water heating service.)

Territory.
Stockton division.

Rate.
(*a*) Heating, cooking and water heating service:

	Rate per kilowatt hour Gross	Net
First 150 kilowatt hours per meter per month_____	4 cents	3.5 cents
All over 150 kilowatt hours per meter per month_____	2 cents	2 cents

(*b*) Combination lighting, with heating and cooking or water heating service:
(Applicable to residences, flats or apartments of eight rooms or less.)

	Rate per kilowatt hour Gross	Net
First 30 kilowatt hours per meter per month_____	*	*
Next 120 kilowatt hours per meter per month_____	4 cents	3.5 cents
All over 150 kilowatt hours per meter per month_____	2 cents	2 cents

* General lighting rate applicable in the locality.

Minimum charge.
1. Electric ranges:
First 7 kilowatts of connected load_____ $3 per month
All over 7 kilowatts of connected load_____ 1 per kilowatt per month
2. Water and (or) air heaters:
(*a*) When water and (or) air heating devices are installed in connection with an electric range and, further, when a double throw switch is installed so that the water and (or) air heater may not be used simultaneously with the range.
Water heater minimum charge—
First 5 kilowatts of connected load—No minimum charge.
All over 5 kilowatts of connected load—$1 per kilowatt per month.
Air heater minimum charge—
First 5 kilowatts of connected load—No minimum charge.
All over 5 kilowatts of connected load—$1 per kilowatt per month during months of October to March, inclusive.
(*b*) When water and (or) air heating devices are installed not in connection with an electric range or if installed in connection with a range but without a double throw switch,
Water heater minimum charge—
$1 per kilowatt of connected load per month.

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Air heater minimum charge—

$1 per kilowatt of connected load per month during months of October to March, inclusive.

Special conditions.

1. The net rate is effective providing the bill for electric service is paid on or before the tenth day after date of presentation of bill, otherwise the gross rate applies.

2. Service under this schedule is not intended to cover auxiliary cooking and heating devices, such as percolators, toasters, chafing dishes, heaters, etc., but such auxiliary devices may be attached to an electric range circuit, otherwise such auxiliary devices will be supplied under the regular lighting schedules.

SCHEDULE P-1.

General Industrial Power Service.

(Applicable to all industrial power service, except as may be included under other schedules or special contracts.)

Territory.

City of Stockton and surrounding suburbs.

Rate.

(*a*) Alternating current power service:

Rates per kilowatt hour for connected loads of—	Monthly consumption per horsepower		
	First 100 kilowatt hours	Next 100 kilowatt hours	All over 200 kilowatt hours
Less than 5 horsepower	4.8¢	4.3¢	4.0¢
5 horsepower and over but less than 7½ horsepower	4.3¢	3.3¢	3.0¢
7½ horsepower and over but less than 10 horsepower	3.8¢	3.3¢	2.8¢
10 horsepower and over but less than 20 horsepower	3.3¢	3.0¢	2.5¢
20 horsepower and over but less than 30 horsepower	3.0¢	2.8¢	2.3¢
30 horsepower and over but less than 40 horsepower	2.7¢	2.5¢	2.0¢
40 horsepower and over but less than 50 horsepower	2.5¢	2.3¢	2.0¢
50 horsepower and over but less than 100 horsepower	2.3¢	2.0¢	1.8¢
100 horsepower and over but less than 200 horsepower	2.2¢	1.8¢	1.5¢

Rates for installations of 200 horsepower and over will be given after investigation to determine the particular operating conditions.

(*b*) Direct current power service:

Rates for direct current service are the energy rates for alternating current power service given under (*a*) above increased by five mills per kilowatt hour.

Minimum charge. (Applicable to both alternating and direct current power service.)

$1 per horsepower of connected load per month.

SCHEDULE P-2.

General Power Service.

Territory.

Stockton division, except in city of Stockton and surrounding suburbs.

Rate.

Monthly consumption—	Rate per kilowatt hour for connected loads of		
	Less than 5 horsepower	5 horsepower and over but less than 50 horsepower	50 horsepower and over
First 500 kilowatt hours	5.3¢	4.3¢	3.3¢
Next 500 kilowatt hours	4.6¢	3.6¢	2.6¢
Next 500 kilowatt hours	4.2¢	3.2¢	2.2¢
All over 1,500 kilowatt hours	3.5¢	2.7¢	1.7¢

Minimum charge.

$1 per horsepower of connected load per month.

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SCHEDULE P-3.

Agricultural Power Service.

(Applicable to general agricultural power service.)

Territory.

Stockton division.

Rate.

Monthly consumption—	Rate per kilowatt hour	Annual minimum charge
(a) First 1,000 kilowatt hours	3.3 cents	$6 per horsepower
Next 1,000 kilowatt hours	2.8 cents	
All over 2,000 kilowatt hours	2.3 cents	
(b) All energy	1.8 cents	$6 per horsepower but not less than $300
(c) All energy	2.3 cents	$12 per horsepower but not less than $60

(d) Demand charge—$8 per horsepower of connected load per year but not less than $40 per year, plus energy charge, 1.3 cents per kilowatt hour.

Special conditions.

1. Minimum charges stated above apply for service for one year or fraction thereof.

2. Minimum charges to be paid in equal installments during the irrigation period from May to October, inclusive.

3. The consumer shall declare what rate schedule he desires to operate under by May 1 of each year. Where option is not stated by May 1, the schedule charged him during the preceding year shall continue in effect.

4. Two or more irrigation plants may be combined under the above schedules, provided delivery is made by the company at one point and one bank of transformers and one meter installation only is required. Distribution laterals from meter to motors shall be owned by the consumer.

5. The term "connected load" as used in the irrigation schedules is defined as meaning the maximum installed horsepower of an irrigation service which can be connected to the company's system at one time. Should a consumer desire to move his motor from one location to another, or install at his own expense a satisfactory double-throw switch which will prevent all motors from being connected to the company's system at one time, then the maximum installed horsepower which is connected to the system at any one time during the year shall be considered as the "connected load."

SCHEDULE P-4.

General Industrial Power Service.

(Applicable to general industrial power service; energy delivered at 2300 volts.)

Territory.

City of Stockton and surrounding suburbs.

Rate.

(*a*) Demand charge:
$2.50 per kilowatt of maximum demand per month.

(*b*) Energy charge:
1.0 cent per kilowatt hour.

Minimum charge.

$1 per horsepower of connected load per month.

Special conditions.

1. The total monthly charge is the sum of the charges under (*a*) and (*b*) above.

2. The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed

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by the company upon the consumer's premises, adjacent to watt-hour meter or meters, in the fifteen-minute interval in which the consumption of electricity is greater than in any other fifteen-minute interval in the month, or, at the option of the company, the maximum demand may be determined by test.

5. The above rate applies at each point at which service is delivered.

SCHEDULE P-5.

Electric Furnace Service.

(Applicable to service required in the operation of electric furnaces; energy delivered at 2300 volts.)

Territory.

City of Stockton and surrounding suburbs.

Rate.

1.25 cents per kilowatt hour.

Minimum charge.

$1 per horsepower of connected load per month.

SCHEDULE X.

Electric Service Not Otherwise Provided for in Standard Schedules.

1. Special power service subject to term contract:

Rates.

The charges set forth in special contracts, exclusive of the surcharges authorized in Decision No. 6196, and in addition thereto a charge of 3 mills per kilowatt hour.

2. Resale service to other utilities and municipalities:

Rates.

The charges set forth in special contracts, exclusive of the surcharges authorized in Decision No. 6196, and in addition thereto a charge of 2 mills per kilowatt hour.

3. Railway power service:

Rates.

The charges set forth in special contracts, exclusive of the surcharges authorized in Decision No. 6196, and in addition therto a charge of 2 mills per kilowatt hour.

4. Public outdoor lighting service:

Rates.

The charges set forth in special contracts, exclusive of the surcharges authorized in Decision No. 6196, and in addition thereto a charge of 20 per cent of such contract rate.

It is hereby further ordered, that Western States Gas and Electric Company be and it is hereby authorized to charge and collect for gas supplied in the city of Stockton and suburbs, effective for all regular meter readings taken on and after the thirtieth day of December, 1920, in accordance with the following schedule of gas rates, to wit:

General Gas Service.

	Per 1000 cubic feet. Gross.	Net.
First 25,000 cubic feet per meter per month	$1 30	$1 25
Next 25,000 cubic feet per meter per month	1 15	1 10
Next 25,000 cubic feet per meter per month	1 05	1 05
Next 25,000 cubic feet per meter per month	95	95
Next 25,000 cubic feet per meter per month	85	85
All over 125,000 cubic feet per meter per month	80	80
Minimum charge per meter per month	$0 90	$0 85

The net rate is applicable if the bill is paid within ten days of the date of presentation, otherwise the gross rate will apply

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It is hereby further ordered, that Western States Gas and Electric Company shall, within twenty days of the date of this order, file with the Railroad Commission the schedules of gas and electric rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twentieth day of December, 1920.

DECISION NO. 8460.

IN THE MATTER OF THE APPLICATION OF FRESNO CITY WATER CORPORATION FOR AUTHORITY TO RENEW CERTAIN NOTES.

Application No. 6224.

Decided December 20, 1920.

Murray Bourne, for Applicant.

MARTIN, *Commissioner*.

OPINION.

Fresno City Water Corporation, in this application as originally filed, asked permission to renew two notes: One, a 6 per cent $10,000 note payable to the Bank of Italy-Fresno, the other, a 7 per cent $10,000 note payable to the Merchants National Bank of San Francisco. Since the hearing had on this application, applicant withdrew its request to renew, at this time, the note payable to Merchants National Bank. That part of the application will therefore be dismissed without prejudice.

The record shows that the $10,000 obtained from the Bank of Italy-Fresno, was used to pay for permanent plant extensions, additions and betterments.

I herewith submit the following form of order:

ORDER.

Fresno City Water Corporation, having applied to the Railroad Commission for permission to issue notes, a public hearing having been held, and the Commission being of the opinion that the $10,000 obtainable through the issue of the note herein authorized, is reasonably required by applicant, and that the expenditures of the moneys are not in whole or in part, reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Fresno City Water Corporation be and it is hereby authorized to issue for a term of one year or less, a $10,000 note bearing interest at not exceeding 7 per cent per annum, for the purpose of paying or refunding the $10,000 note now held by the Bank of Italy-Fresno, and referred to in this application;

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It is further ordered, that this application, in so far as it relates to the renewal of a $10,000 note held by Merchants National Bank of San Francisco, be and it is hereby dismissed without prejudice.

The authority herein granted is subject to further conditions as follows:

1. Applicant may, if it so desires, issue the note herein authorized, for a period of less than one year from the date of this order, or from the date of the maturity of the note to be refunded, and renew said note from time to time, provided that the combined terms of the note herein authorized and those issued in renewal thereof, shall not exceed one year from the date of this order.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

3. Applicant shall file with the Railroad Commission a statement, as required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twentieth day of December, 1920.

DECISION No. 8461.

IN THE MATTER OF THE APPLICATION OF WASHINGTON WATER AND LIGHT COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE INSTALLATION OF METERS AND THE CHARGING OF A METER RATE.

Application No. 5494.

Decided December 20, 1920.

METERS—INSTALLATION OF—NO AUTHORIZATION REQUIRED FOR.—A water utility delivering water for domestic or irrigation purposes may install meters and thereafter charge for service upon a measured basis without making application to this Commission provided a schedule of meter rates has been established by competent authority.

Joseph Shaw, for Applicant.
C. C. McDonald, for Washington School District.
E. A. Palm and *P. A. Fitzgerald*, for Washington Improvement Club.

BY THE COMMISSION.

OPINION.

Washington Water and Light Company, applicant herein, is an incorporated public utility supplying water for domestic, industrial and municipal purposes in the town of Washington, Yolo County, California. In this proceeding applicant alleges that there is an excessive and wasteful use of water by consumers receiving service on a flat rate basis, and therefore asks that a schedule of meter rates be established.

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This system supplies water to approximately 240 consumers. The pumping plant is located on the bank of the Sacramento River, and the water is pumped directly into two elevated tanks with a total storage capacity of 135,000 gallons. From these tanks the water is delivered to the distribution system.

A public hearing was held in the present proceeding before Examiner Westover, at Washington, of which all interested parties were notified and given an opportunity to be present and be heard. At the hearing D. H. Harroun, one of the Commission's hydraulic engineers, presented a report covering a field investigation and appraisal of properties, together with a maintenance and operation study.

The appraisal submitted shows the estimated original cost of the system to be $27,963, and gives $256 as the replacement annuity, computed by the sinking fund method. The report also recommends the sum of $2,784 as a fair and just estimate of the future annual cost of maintaining and operating this system. These estimates were not questioned at the hearing or subsequently. They appear to be reasonable and therefore will be adopted for the purpose of this proceeding.

The following is a summary of the estimated annual charges, as set out above:

Interest on $27,963 at 8 per cent	$2,237 00
Maintenance and operation	2,784 00
Replacement fund	256 00
Total	$5,277 00

Applicant's annual report to this Commission shows that the gross operating income for the year 1919 was $4,048.39. It is therefore apparent that the income received by applicant from its operation is insufficient to meet the total annual charges set out above, and that it is entitled to an increased revenue.

Applicant asked in its application and at the hearing that this Commission establish reasonable rates for the service rendered, and its representatives stated that it was applicant's intention to proceed immediately with the installation of meters. This Commission has in many of its decisions stated that in its opinion the only satisfactory method of rendering adequate service and of properly distributing the charges of a utility among the various consumers in proportion to service received by each, is by metering the system and charging for the quantity delivered. However, in the instance at hand, during the interim between the effective date of the order herein and the date on which the system shall have been fully metered, the revenue must be derived largely from the schedule of flat rates. It is therefore necessary to make an adjustment of these flat rates in addition to establishing a measured rate schedule in order that the necessary revenue may be realized. The

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schedule established in the following order will return to applicant maintenance and operation expense, replacement fund, and a fair amount for interest on investment.

In regard to applicant's request that this Commission authorize it to install meters, we wish to point out that it is applicant's right to install meters and thereafter charge for water delivered to its consumers upon the quantity basis, and that it is unnecessary to obtain the authority of this Commission to do so, providing, of course, that there is an effective measured rate schedule established by competent authority.

ORDER.

Washington Water and Light Company having made application to the Railroad Commission of the State of California for authority to install meters and to establish meter rates, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the present rate schedule of the Washington Water and Light Company, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by said company for water.

And basing its order upon the foregoing finding of fact, and upon the other statements of fact contained in the opinion preceding this order;

It is hereby ordered, that Washington Water and Light Company be and it is hereby authorized and directed to file with the Railroad Commission, within twenty (20) days of the date of this order, the following schedule of rates, said rates to be charged on all bills rendered to consumers on and after January 1, 1921:

FLAT RATES.

	Per month
For house of 5 rooms or less	$1 50
For double house with two families	2 75
For saloons with watering trough	2 00
For sprinkling of lawns, gardens and shrubbery, per square yard irrigated	005
For each horse or cow	25
For water for sprinkling purposes, per 1000 gallons	15

METERED RATES.

Readiness-to-serve charges to apply to all metered services:	
For ⅝- and ¾-inch meters	$0 50
For 1-inch meters	75
For 1½-inch meters	1 00
Quantity charges:	
From 0 to 500 cubic feet per month	20 cents per 100 cubic feet
From 500 to 2000 cubic feet per month	15 cents per 100 cubic feet
Over 2000 cubic feet per month	10 cents per 100 cubic feet

The quantity charges shall be in addition to the readiness-to-serve charges.

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It is hereby further ordered, that Washington Water and Light Company be and it is hereby directed to file with the Railroad Commission, within thirty (30) days from the date of this order, a schedule of proposed rules and regulations governing the distribution and sale of water to its consumers, said rules and regulations to become effective upon their approval by the Commission.

Dated at San Francisco, California, this twentieth day of December, 1920.

DECISION No. 8462.

IN THE MATTER OF THE APPLICATION OF KLAMATH TELEPHONE AND TELEGRAPH COMPANY, AN ASSOCIATION, FOR AUTHORITY TO REVISE TOLL RATES.

Application No. 3811.

Decided December 20, 1920.

BY THE COMMISSION.

OPINION.

Klamath Telephone and Telegraph Company, applicant in this proceeding, owns and operates a telephone system in the southern part of the State of Oregon with toll lines extending from Klamath Falls, in that state, into Siskiyou County, in this state. On March 13, 1918, by its Decision No. 5200, this Commission authorized applicant to purchase from Little Shasta Telephone Company, also known as Montague-Butte Valley Telephone Company, certain telephone lines extending between Montague and Mount Hebron and to construct a toll line between Dorris, one of the then terminii of its lines in California, and Mount Hebron. The authority therein granted was given upon condition that applicant should file with the Commission a schedule of rates covering service between Dorris and Montague and intermediate points for the Commission's approval. A schedule of rates was thereupon submitted, but approval has been withheld by reason of increases in former rates which were involved without the necessary showing in justification thereof having been made. In this proceeding, applicant is seeking authority to modify the former rates and to file a schedule of uniform rates in lieu thereof.

A public hearing was held at Dorris on May 28, 1920, before Examiner Satterwhite. At this hearing applicant was directed to file with the Commission certain data, which has now been filed, and the matter is now ready for decision.

Prior to the purchase of the lines of Montague-Butte Valley Telephone Company, applicant was and still is operating a toll line extending from Dorris in a westerly direction through intermediate points to

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Ager and has in effect over this line a schedule of rates differing from those in effect over the line formerly owned and operated by Montague-Butte Valley Telephone Company. The rates for service over both of these lines also differ from the rates of The Pacific Telephone and Telegraph Company, with the lines of which company's system applicant lines connect at Ager and Montague. The rates of The Pacific Telephone and Telegraph Company are the so-called Burleson rates. Applicant is, therefore, now asking for authority to apply over all of its toll lines within this State a schedule of rates to correspond with the Pacific or Burleson rates.

If the desired permission is granted by the Commission, some of the present rates of applicant will be increased and some of them will be reduced. It will also have the effect of placing all of applicant's toll rates in California on a uniform basis, thus eliminating certain inconsistencies which now exist and, by reason of uniformity with the rates of the Pacific Telephone and Telegraph Company, will simplify the matter of computing joint rates as well as the keeping of records, billing and accounting.

Evidence in this case is not such as will enable the Commission to pass upon the ultimate reasonableness of the proposed rates. It is not probable, however, that their application will very materially affect applicant's revenues and no protest has been made against them. One of the matters which applicant was directed at the hearing to file with the Commission, as referred to above, is a schedule setting forth the proposed rates. This schedule has since been filed as applicant's Exhibit "A" and, except for certain modifications which are necessary to correct minor errors in computing mileage between stations, it appears to conform to the Burleson schedule. We are accordingly of the opinion that the application herein should be granted.

The modifications above referred to cover the following rates for station to station messages:

Ager to Hudson's Mill	15 cents
Ager to Prather Ranch	15 cents
Ager to Mount Hebron	20 cents
Ager to Klamath Hot Springs	10 cents
Bogus to Hudson's Mill	15 cents
Bogus to Klamath Hot Springs	5 cents
Klamath Hot Springs to Secret Springs	10 cents
Klamath Hot Springs to Dorris	20 cents
Klamath Hot Springs to Terwilliger	15 cents
Klamath Hot Springs to Montague	20 cents
Klamath Hot Springs to Mount Hebron	20 cents
Macdoel to Terwilliger	15 cents
Mount Hebron to Hudson's Mill	10 cents
Mount Hebron to Prather Ranch	5 cents
Prather Ranch to Terwilliger	10 cents

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The following order is recommended:

ORDER.

Klamath Telephone and Telegraph Company having applied to the Railroad Commission for an order modifying its rates for long distance telephone and telegraph service, a hearing having been held, the matter having been submitted and being now ready for decision;

It is hereby ordered, that Klamath Telephone and Telegraph Company be and it is hereby authorized to publish, file with this Commission, and make effective within thirty days of the date of this order, a schedule of rates to be charged and collected from its subscribers and patrons for long distance telephone and telegraph toll service in accordance with its Exhibit "A" referred to in the opinion preceding this order, subject to the modifications thereof set forth in the preceding opinion.

Dated at San Francisco, California, this twentieth day of December, 1920.

DECISION No. 8469.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES-SAN PEDRO TRANSPORTATION COMPANY, INCORPORATED, FOR ORDER AUTHORIZING ISSUE OF STOCK.

Application No. 6166.

Decided December 20, 1920.

Clarence W. Byrer, for Applicant.

BY THE COMMISSION.

OPINION.

Los Angeles-San Pedro Transportation Company, Incorporated, asks permission to issue and sell at par $27,560 of its common capital stock.

The company is engaged in a general truck, transfer, shipping, receiving and forwarding business. Its main business is the hauling of freight between the business center of Los Angeles and the harbor district of said city at Wilmington and San Pedro.

The company has an authorized stock issue of $50,000, divided into 5,000 shares of $10 each. Applicant reports stock in the amount of $22,400 outstanding. This stock is owned by the following:

Name of stockholders	Amount of stock owned
F. A. Russell	$9,050 00
F. L. Smith	5,110 00
R. W. Koenig	3,000 00
F. Schwarzendahl	2,000 00
R. A. Russell	2,000 00
H. F. Jackson	320 00
R. Evans	160 00
T. E. Marr	800 00
Total	$22,440 00

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Applicant's present stockholders intend to acquire at least a part of the stock herein authorized to be issued.

As of August 30, 1920, applicant reports assets and liabilities as follows:

Assets.

Cash on hand	$1,113 58
Bank deposits	1,916 58
Accounts receivable	7,524 70
Truck equipment	46,821 29
Office equipment and supplies	1,335 95
Tools	376 93
Miscellaneous equipment	1,594 64
Deposit Ford roadster	25 00
	$60,708 67

Liabilities.

Capital stock issued	$22,440 00
Undivided profits	4,584 36
Notes payable	13,100 00
Accounts payable	1,636 17
Depreciation account	13,855 00
Profit and loss	5,093 14
	$60,708 67

During the eight months ending August 30, 1920, applicant reports that it carried about 22,500 tons of freight. Its revenues for the eight months ending August 30, 1920, are reported at $73,475.83; its operating expenses, including $6,335.78 for depreciation, amounts to $68,318.95, leaving net operating revenues of $5,156.88. The company has now in service twelve trucks and six trailers. It reports that it is necessary for it, in order to give adequate service, to acquire one more 5 or 6-ton truck and two trailers of from 3 to 5-ton capacity. This additional equipment applicant estimates will cost approximately $12,500.

The proceeds from the sale of the stock, approximately $15,060, not necessary to pay for additional equipment, applicant asks permission to use as working capital. In our opinion applicant has not made a satisfactory showing that it is in need of so large an allowance for working capital. It occurs to us that $10,000 is an ample allowance for working capital and the amount of stock herein authorized to be issued will therefore be limited to $22,500.

ORDER.

Los Angeles-San Pedro Transportation Company, Incorporated, having applied to the Railroad Commission for permission to issue stock, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of stock herein authorized is reasonably required by applicant for the purpose or purposes specified in this order, and that a public hearing is not necessary;

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It is hereby ordered, that Los Angeles-San Pedro Transportation Company, Incorporated, be and it is hereby authorized to issue and sell for cash at not less than par, on or before May 1, 1921, not exceeding $22,500 par value of its common capital stock.

It is hereby further ordered, that this application, in so far as it relates to the issue of $5,060 of stock, be dismissed without prejudice.

The authority herein granted is subject to further conditions as follows:

1. Of the proceeds obtained from the sale of the stock herein authorized to be issued and sold approximately $12,500 shall be used by applicant to acquire the automobile equipment described in this application. The remainder of the proceeds may be used by applicant for working capital.

2. Los Angeles-San Pedro Transportation Company shall keep such record of the issue and sale of stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this twentieth day of December, 1920.

DECISION No. 8470.

IN THE MATTER OF THE APPLICATION OF NAPA VALLEY ELECTRIC COMPANY, FOR AN ORDER REVISING ITS RATES AND CHARGES FOR GAS IN ST. HELENA.

Application No. 6291.

Decided December 20, 1920.

D. L. Beard, for Applicant.
W. F. Bornhorst, for Chamber of Commerce of St. Helena.
E. M. Murray and *Oscar Anderson*, *in propria persona*.

BY THE COMMISSION.

OPINION.

This is an application by Napa Valley Electric Company for authority to increase its rates and charges for gas supplied in the city of St. Helena. Applicant alleges that its gas revenues have not at any time been sufficient to meet the cost of manufacture and distribution of the gas to its consumers and that it has maintained this portion of its business solely to accommodate its patrons in the city of St. Helena.

A public hearing was held before Examiner Satterwhite in St. Helena on December 2, 1920, and the matter thereupon submitted.

The present price at which gas is sold is $2 per thousand cubic feet, with a monthly minimum charge of $1.50 per meter. This rate has been

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in effect since November, 1917. In this present application authority is asked to charge in future $2.50 per thousand cubic feet, with a minimum monthly bill of $2 per meter.

The items necessary to consider in granting this application are the increased cost of oil, labor and supplies. The price of oil has increased from $1.50 per barrel f.o.b. St. Helena in 1917, to $2.61 at the present time, and this alone would justify the increased rate proposed by applicant.

It was shown at the hearing that applicant's gas service is deficient as regards low pressure and impurities in the gas. It is the opinion of the Commission's engineers that these conditions can be remedied at small expense to applicant, and it will be expected that these shortcomings will be remedied without delay in order to provide better service to consumers.

Applicant is entitled to increase its rates and charges to at least those proposed in its application.

ORDER.

Napa Valley Electric Company having applied to the Railroad Commission for authority to increase its rates and charges for gas in St. Helena, a public hearing having been held, and the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged for gas by Napa Valley Electric Company in St. Helena are not just and reasonable rates, in so far as they do not compensate it for the cost of manufacture and distribution, and that the rates herein established are, under present conditions, just and reasonable rates.

Basing its order upon the foregoing findings of fact and on other findings of fact contained in the opinion preceding this order;

It is hereby ordered, that Napa Valley Electric Company be and it is hereby authorized to charge and collect for gas in the city of St. Helena, effective for all regular meter readings taken on and after the thirtieth day of December, 1920, in accordance with the following schedules of rates, to wit:

General Gas Service, St. Helena.

Rate: $2.50 per thousand cubic feet.
Minimum charge: $2 per meter per month.

It is hereby further ordered, that Napa Valley Electric Company shall within twenty days of the date of this order file with the Railroad Commission the schedule of gas rates herein established.

Dated at San Francisco, California, this twentieth day of December, 1920.

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DECISION NO. 8472.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES AND SAN PEDRO TRANSPORTATION COMPANY, INCORPORATED, FOR PERMISSION TO ESTABLISH ON ONE DAY'S NOTICE A LINE OF CLASS RATES, AND TO ADOPT MONROE'S "SHIP BY TRUCK" FREIGHT CLASSIFICATION, TOGETHER WITH CERTAIN EXCEPTIONS THERETO AND RULES AND REGULATIONS, TO APPLY BETWEEN LOS ANGELES, SAN PEDRO AND WILMINGTON AND INTERMEDIATE POINTS.

Application No. 5884.

Decided December 20, 1920.

Lewis A. Monroe, for Applicant.
Frank Karr, by *George F. Squires*, for Pacific Electric Railway Company.

BY THE COMMISSION.

OPINION.

Los Angeles and San Pedro Transportation Company applies for authority to increase rates for transporting freight by auto truck between the business portion of Los Angeles and its harbor district, including San Pedro and Wilmington.

A public hearing upon the application was held by Examiner Westover at Los Angeles.

The reason assigned by applicant for asking the increase in rate is the increased cost of doing business resulting from increases in cost of gasoline, oil, tires, repairs, labor and clerical help. In support of its claim it has submitted exhibits showing in detail revenue and operating expenses monthly for the year 1919 and ten months of 1920, with a traffic check for five days, May 3 to 8, 1920, showing revenue actually earned for the period and what its revenue would have been if the rates requested as shown by tariff accompanying the application had been in effect at that time. New rates would have increased its revenue 16 per cent over the present rates which were established when applicant began business in August, 1918. The period chosen for the traffic check is probably fairly illustrative as the revenue for May, 1919, appears to be about the average monthly revenue for the entire year.

Applicant's revenue earned during September and October, 1920, was $21,097.70 and its operating expenses $19,461.72, leaving $1,635.98 operating revenue applicable to depreciation and return upon investment. This is not enough to meet claimed depreciation on equipment at the rate of 25 per cent per year, amounting for the two months to $1,965.72. The two months period in question is one during which all of the increased costs of operation were in effect and the revenue for the period is apparently a fair average for the year, judging from the applicant's experience during 1919. If the revenue were increased by 16 per cent it would apparently provide not only full depreciation

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but a return of about $18,000 a year on truck and trailer equipment, inventoried at $47,693.32, a rate of return which the shipping public cannot be required to carry.

Applicant further claimed as justification for an increase in rates a heavy increase in cost of operation due to the necessity for increasing its clerical force a few months ago to take care of its growing business. The increased business has apparently covered this item and justified the expenditure and will no doubt cover an item of increaseed rent incident to a necessary move to larger quarters, concerning which applicant has advised since the hearing.

Apparently applicant's increasing traffic is not sufficient at its present rates to meet its increased cost of doing business and we conclude that its rates may properly be so increased as to produce an increase of 5 per cent in revenue.

The applicant can best prepare the proposed tariff of rates designed to produce this percentage of increase based upon the traffic check and upon receiving such a tariff the rates therein shown will be authorized by a supplemental order herein.

ORDER.

A public hearing having been held upon the above described application, the latter having been submitted and the Commission being now fully advised:

It is hereby found that the revenue produced by the rates of applicant now in effect and applicant's classification, rules and regulations are all inadequate, but that the applicant has not justified the establishment of classifications, rules and regulations set forth in the application herein.

It is hereby ordered, that Los Angeles and San Pedro Transportation Company, a corporation, be and it is hereby authorized to submit a new proposed tariff of rates with rules, regulations and classifications similar to that set forth in Exhibits "A" and "F" attached to and made part of its above described application, but designed to increase applicant's revenue 5 per cent instead of 16 per cent.

It is hereby further ordered, that application to establish the specific rates set forth in the application be and it is hereby denied.

Dated at San Francisco, California, this twentieth day of December, 1920.

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DECISION No. 8475.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO-RICHMOND FERRY COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK OF THE PAR VALUE OF EIGHT HUNDRED THOUSAND DOLLARS.

Application No. 5097.

Decided December 20, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, applicant, in the above-entitled matter, has filed for approval the franchise stipulation referred to in condition 6 of the order in Decision No. 8144, dated September 24, 1920, and also reports that condition 5 of said order makes it impossible for it to sell any stock, and therefore asks that said condition 5 be modified;

And the Commission, having considered applicant's request, and being of the opinion that the order in Decision No. 8144, dated September 24, 1920, may be modified as herein provided;

It is hereby ordered, that condition 5 of the order in Decision No. 8144, dated September 24, 1920, be and it is hereby modified so as to read:

If any prospectus is issued and distributed by applicant, such prospectus shall contain language to the effect that the authority granted by the Railroad Commission to issue and sell stock is permissive only and does not constitute a recommendation or endorsement by the Railroad Commission of said stock. A copy of the prospectus shall be filed with the Railroad Commission. On each stock subscription agreement shall appear this language:

"While the Railroad Commission has authorized the issue and sale of this stock, its order is permissive only and does not constitute a recommendation or endorsement of the stock." (See Railroad Commission's Decision No. 8144, dated September 24, 1920.)

The Railroad Commission hereby declares that San Francisco-Richmond Ferry Company has filed a stipulation satisfactory in form, as required by condition 6 of the order in Decision No. 8144, dated September 24, 1920.

It is hereby further ordered, that the order in Decision No. 8144, dated September 24, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twentieth day of December, 1920.

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DECISION No. 8477.

IN THE MATTER OF THE APPLICATION OF THE CITY OF ROSEVILLE, A MUNICIPAL CORPORATION, AND PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING THE CITY OF ROSEVILLE TO PURCHASE AND ACQUIRE FROM THE PACIFIC GAS AND ELECTRIC COMPANY CERTAIN ELECTRICAL DISTRIBUTION PROPERTIES.

Application No. 6372.

Decided December 20, 1920.

BY THE COMMISSION.

OPINION.

In this proceeding the Railroad Commission is asked to make its order authorizing Pacific Gas and Electric Company to sell, convey and transfer to the city of Roseville certain electrical distribution properties and business located in and about the city of Roseville, Placer County, California.

The city of Roseville is now engaged in supplying electricity to its inhabitants for heat, light and power purposes in competition with Pacific Gas and Electric Company, and the transfer of properties and business herein contemplated will eliminate such competition. The property which is to be acquired by the city is more particularly described in an agreement of sale entered into between the city of Roseville and Pacific Gas and Electric Company dated December 1, 1920, and consists of electric distribution lines including poles, wires, crossarms and other appliances installed thereon in Roseville Heights and Cherry Glen, certain transformers, meters and services, all of which are inventoried in detail in an exhibit attached to said agreement.

The city of Roseville will acquire all of Pacific Gas and Electric Company's business of selling electricity within the corporate limits of the city and also service to Doyles Ranch, without the city, excepting the business of selling electricity to the Southern Pacific Company, the Pacific Fruit Express Company and the Roseville Water Company, which three consumers are reserved to Pacific Gas and Electric Company. The city of Roseville assumes the obligation, upon the delivery to it of the electric distribution system, of supplying from its own lines electricity to all of the consumers now supplied by Pacific Gas and Electric Company, with the exceptions above noted.

The consideration for which the electrical distribution properties and business are to be transferred herein is the sum of $6,539, of which the city of Roseville will pay $5,000 immediately upon the execution and delivery by Pacific Gas and Electric Company of a satisfactory instrument of conveyance of the properties, and the balance of $1,539 on or before one year after the date of the delivery of said conveyance,

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with interest at the rate of 7½ per cent per annum on the balance from the date of delivery of said conveyance until paid.

The price at which the properties are herein proposed to be transferred appears reasonable, and the acquirement of these properties and business by city of Roseville appears to be to the benefit of consumers of electricity in the city and to the benefit of the respective applicants.

ORDER.

The Railroad Commission of the State of California being of the opinion that the granting of the authority herein sought will be in the public interest and that a hearing is not necessary in this matter;

It is hereby ordered, that Pacific Gas and Electric Company be and it is hereby authorized to sell and transfer to the city of Roseville, pursuant to the terms of that certain agreement of sale entered into between Pacific Gas and Electric Company and city of Roseville, dated December 1, 1920, the electrical distribution properties and business attached thereto, as set forth in said agreement of sale; provided, however, that the authority herein granted shall apply only to such sale and transfer as may be made on or before sixty days from the date of this order.

Dated at San Francisco, California, this twentieth day of December, 1920.

DECISION No. 8480.

IN THE MATTER OF THE APPLICATION OF HOLLISTER WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE RATES FOR STORING AND HANDLING GRAIN AT HOLLISTER.

Application No. 6278.

Decided December 21, 1920.

S. R. Crosby, for Applicant.

BY THE COMMISSION.

OPINION.

Hollister Warehouse Company applies for authority to increase rates for storing and handling grain in its four public warehouses in the town of Hollister.

A public hearing upon the application was held by Examiner Westover at Holllister.

The buildings are located on the railroad right of way of Southern Pacific Company, for which a nominal ground rental of $99 per year is paid to the carrier. Constructed of wood about the year 1880, with a combined capacity of 11,000 tons designed to accommodate immense crops of grain grown in the district at that time, these structures, by

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reason of timely repairs, are yet in a fair state of usefulness. New roofing at an estimated cost of $5,000, will have to be provided in the near future. In addition to storing grain and a nominal tonnage of other commodities, applicant is also engaged in buying and selling grain, and in this connection operates a feed mill which occupies considerable floor space in one of the warehouses. About one-third of the entire floor space of 11,000 tons is under lease to a local plant, engaged in packing fruit and vegetables, so that approximately only 7,000 space tons are at present devoted to commercial storage. Upon grains and other commodities owned and stored by applicant it charges the same storage rates charged other warehouse patrons upon similar commodities stored by them.

Present and proposed rates are shown below:

	Present	Proposed
Storage of grain:		
Thirty days or less, per ton	$0 50	*$0 75
Sixty days, per ton	75	*1 00
Season to June 1, per ton	1 00	*1 50
Loading through warehouse, per ton	35	50
Deliveries in lots of less than ten tons, per ton	--	50

It is estimated by applicant that rates proposed would produce approximately $750 additional revenue per annum, being on the basis of an average year of 1500 tons.

Applicant, as at present organized, has been in control of this utility only since June, 1920, prior to which time available records do not show a segregation of expenses between the warehouse business and non-public utility activities engaged in by the company. However, the general condition of the company's finances is indicated by the net results of its entire operations for the last five years as follows:

	1915	1916	1917	1918	1919
Revenues	$13,278 73	$8,455 86	$9,074 96	$8,399 82	$8,648 97
Expenses	12,342 07	11,033 33	9,102 45	8,943 55	10,181 90
Net loss	*$936 66	$2,577 47	$27 49	$543 73	$1,532 93

*Gain.
Average loss per year, $748.99.

The application is based upon the above showing for the years indicated and upon facts and figures available for the current year, which justify the conclusion that tonnage will be no greater and that operating expenses cannot be materially reduced at this time.

Applicant showed that the present actual cost of storing and handling each ton of grain stored at its warehouses is approximately $1, and that under the proposed rates only a maximum of 50 cents per ton above operating cost can accrue as profit to applicant, even on the

*Proposed storage rates, including all handling.

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assumption that the entire 1,500 tons now in storage will take the season rate. The testimony also pointed to carefully laid plans for economy in labor and expense and to a moderate salary allowance for applicant's only paid officer.

Obviously, this storage utility has outlived its day as a depositary for grain, the average yearly demands from patrons being for space to accommodate only approximately 1,500 tons, about one-seventh of the 11,000 space tons formerly available. These patrons have, however, signified their willingness to pay the rates proposed, which, in the main, are identical with charges assessed by other warehouse utilities along the coast valleys. Applicant is fully aware that it would be useless to establish rates sufficiently high to produce a fair return on the investment—alleged to have a present value of $40,000—and has wisely looked to uses other than public storage for the greater portion of the space involved. Under the rates authorized by the accompanying order, it will be expected that Hollister Warehouse Company adopt and use such accounting methods as will enable it to show separately in detail, the source of all revenues derived from storage and handling, as well as the expenses incurred in the production of such revenues.

ORDER.

Hollister Warehouse Company having applied to the Railroad Commission for authority to increase warehouse rates, a public hearing having been held thereon, the matter having been submitted, and it appearing to the Commission that the proposed rates as hereinafter set forth are just and reasonable for the service involved;

It is hereby ordered, by the Railroad Commission of the State of California, that applicant be, and it is hereby authorized to publish and file schedules showing the following rates for storing and handling grain at Hollister:

Warehouse Rates.

Grain storage:	
Thirty days, per ton	*$0 75
Sixty days, per ton	*1 00
Season to June 1, per ton	*1 50
Loading grain through warehouse, per ton	50
Delivering in lots less than ten tons, per ton	50

Dated at San Francisco, California, this twenty-first day of December, 1920.

*Storage rates include loading, unloading, weighing and other customary handling.

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DECISION NO. 8482.

IN THE MATTER OF THE APPLICATION OF UNITED RAILROADS OF SAN FRANCISCO, OF MARKET STREET RAILWAY COMPANY, AND OF FRANK B. ANDERSON, WILLIAM H. CROCKER, HERBERT FLEISHHACKER, JOHN D. McKEE AND E. S. HELLER, AS A REORGANIZATION COMMITTEE OF UNITED RAILROADS OF SAN FRANCISCO, FOR AUTHORIZATION TO ISSUE STOCKS, BONDS AND NOTES, AND TO TAKE PROCEEDINGS PURSUANT TO A REORGANIZATION PLAN AND AGREEMENT.

Application No. 5840.

Decided December 22, 1920.

REORGANIZATIONS—SECURITY ISSUES—FRANCHISES, EXPIRATION OF.—Due to the termination of important franchises held by applicant within a period of from seven to nine years and because of municipal competition and the uncertainty of what the attitude of the city will be at the time the franchises terminate, it is not feasible to consider the capitalization of applicant herein on the same basis as a company with an assured continuance as a going concern. The very substantial reduction in capitalization, however, is held to warrant the granting of the application.

United Railroads authorized to sell its properties through foreclosure proceedings to the reorganization committee or its nominee and to transfer to such nominee the properties and franchises of Sutter Street Railway Company, Sutro Railroad Company and San Francisco and San Mateo Electric Railway Company, which nominee is authorized to mortgage the properties so transferred as security for $5,200,000 face value 6 per cent five-year notes to be issued by the Market Street Railway Company. The Market Street Railway to lease sufficient equipment to operate the above named properties for a period of seven years and the nominee to transfer the acquired properties with said lease to the Market Street Railway subject to said mortgage. Reorganization committee authorized to transfer to Market Street Railway all other properties acquired at foreclosure sale except $790,000 of bonds of the United Railways Investment Company and $901,384.77 bonds of Railroads and Power Development Company upon consideration that such cash as may be necessary will be used to pay off $191,000 bonds of San Francisco Electric Railways and $45,000 bonds of Gough Street Railroad and the two last named railroads authorized to transfer their properties to the Market Street Railway Company.

Market Street Railway Company authorized to issue $11,750,000 of prior preference, $5,000,000 of preferred, $4,700,000 of second preferred and $10,700,000 of common stock, such stock to be issued to the parties and for the purposes as outlined in the reorganization plan and to issue $5,200,000 of 6 per cent five-year notes, the above stock and notes together with $3,525,000 face value of bonds of Market Street Railway Company to be delivered to reorganization committee for the purposes of carrying out the present plan of reorganization, and to exchange or cancel or caused to be exchanged or cancelled bonds, notes and stock as listed in the order herein.

Pillsbury, Madison and Sutro, by *F. D. Madison*, for Reorganization Committee of the United Railroads of San Francisco.

William M. Cannon, for United Railroads of San Francisco and Market Street Railway Company.

Morrison, Dunne and Brobeck, by *H. H. Phleger*, for certain bondholders of San Francisco Electric Railways.

E. P. E. Troy, in propria persona.

BY THE COMMISSION.

OPINION.

This application involves the reorganization of the United Railroads of San Francisco. The Commission is asked to make an order author-

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izing the reorganization committee and other parties interested to carry into effect the reorganization plan filed in this proceeding and marked applicant's "Exhibit No. 23." The consent of the Commission is necessary for the transfer of the properties of the United Railroads of San Francisco, to Market Street Railway Company; for the execution of a mortgage and a collateral trust agreement; for the lease of properties, and for the issue of stock, bonds and notes. The details of the plan, in so far as they relate to matters primarily within the jurisdiction of the Commission and the amounts of stock, bonds and notes to be issued, will be referred to below.

The United Railroads of San Francisco was organized in March, 1902, with an authorized capital stock of $40,000,000, divided into 200,000 shares of 4 per cent cumulative preferred of the par value of $100 each, and 200,000 shares of common stock of the par value of $100 each. In 1907, the company increased its capital stock by providing for an issue of $5,000,000 of 7 per cent cumulative first preferred stock divided into 50,000 shares of $100 each. On February 16, 1909, the company reduced its common stock from $20,000,000 to $18,800,000. Of the company's authorized stock, $5,000,000 of first preferred, $20,000,000 of preferred and $17,948,600 of common is outstanding. All of the stock is either owned or controlled by California Railway and Power Company.

The bonded and note indebtedness assumed, issued or guaranteed by the United Railroads of San Francisco and now outstanding, consists of the following:

Class of security	Amount outstanding
(a) Bonds:	
Market Street Cable Railway Company 6's	$1,800,000 00
The Omnibus Cable Company 6's	2,000,000 00
Ferry & Cliff House Railway Company 6's	400,000 00
Sutter Street Railway Company 5's	1,000,000 00
Market street Railway Company 5's	6,641,000 00
United Railroads of San Francisco 4's	23,500,000 00
San Francisco Electric Railways 5's	191,000 00
Gough Street Railroad Company 5's	45,000 00
Total bonds	$35,577,000 00
(b) Notes:	
7 per cent notes	$1,925,000 00
6 per cent notes	740,000 00
5 per cent notes	1,000,000 00
Total notes	$3,665,000 00
Total bonds and notes	$39,242,000 00

The bonds of the San Francisco Electric Railways, $191,000, and Gough Street Railroad Company, $45,000, will be paid in cash. The

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$6,641,000 of Market Street Railway Company 5 per cent bonds will remain outstanding.

The bonds and note indebtedness of the United Railroads of San Francisco, directly affected by the reorganization plan, and the amount of such indebtedness, as well as the amount of stock represented by those who have consented to the reorganization plan, is reported as follows:

Bonds, notes or stock	Outstanding	Consented	Per cent
(a) Bonds:			
Market Street Cable Company 6's	$1,800,000	$1,800,000	100
The Omnibus Cable Company 6's	2,000,000	1,923,000	96
Ferries and Cliff House Railway Company 6's	400,000	400,000	100
Sutter Street Railway Company 5's	1,000,000	987,000	99
United Railroads of San Francisco 4's	23,500,000	22,987,000	97
Total bonds	$28,700,000	$28,097,000	97.899
(b) Notes:			
7 per cent notes	$1,925,000	$1,925,000	100
6 per cent notes	740,000	740,000	100
5 per cent notes	1,000,000	1,000,000	100
Total notes	$3,665,000	$3,665,000	100
(c) Stock:			
First preferred stock	$5,000,000	$5,000,000	100
Second preferred stock	20,000,000	20,000,000	100
Common stock	17,948,600	17,948,600	100
Total stock	$42,948,600	$42,948,600	100
Total bonds, notes and stock affected by plan	$75,313,600	$74,710,600	99.199

The report shows that all of the holders of bonds, notes and stock directly affected by the reorganization plan, except holders of $603,000 of bonds, have consented to the plan.

The primary reason for the reorganization of the United Railroads of San Francisco is its inability to pay matured bonded indebtedness and interest on outstanding indebtedness. The Market Street Cable Railway Company bonds, in the amount of $1,800,000 matured October 15, 1916; Ferries and Cliff House Railway Company bonds, in the amount of $400,000, matured March 1, 1914; Omnibus Cable Company bonds, in the amount of $2,000,000, matured April 2, 1918; and Sutter Street Railway Company bonds, in the amount of $1,000,000, matured May 1, 1918. The four bond issues due and payable amount to $5,200,000. Interest has regularly been paid on these bonds as well as on the outstanding Market Street Railway Company bonds. On October 1, 1916, United Railroads of San Francisco failed to pay interest on $23,500,000 of its 4 per cent bonds and none has since been paid on these bonds. Foreclosure proceedings have actually been

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prepared for Market Street Cable Company bonds, Ferry and Cliff House bonds and United Railroads of San Francisco bonds.

To carry out the reorganization plan, the reorganization committee proposes to call upon the Union Trust Company of San Francisco, as trustee for the holders of the 4 per cent bonds of the United Railroads of San Francisco, to take such steps as may be necessary or proper to accelerate the maturity of said 4 per cent bonds and to make them all immediately and forthwith payable, and then to cause said trust company to bring suit to foreclose the said mortgage or deed of trust securing said bonds, and to have all the said properties covered by said mortgage or deed of trust sold at judicial sale to the highest bidder in accordance with the terms of said mortgage or deed of trust. If no other bidders appear, who are ready, able and willing to buy the properties, the reorganization committee will purchase or cause to be purchased all of said properties subject to all underlying mortgages. It will thereupon cause all of the operative properties and franchises of said United Railroads of San Francisco, formerly owned by the Sutter Street Railway Company, Sutro Railroad Company and San Francisco and San Mateo Electric Railway Company to be transferred to an individual, who will execute a first mortgage thereon to secure $5,200,000 of 6 per cent five-year notes of the Market Street Railway Company, which are to be issued as provided in the reorganization plan. Prior to the execution of said first mortgage, the committee will cause Market Street Railway Company to lease to said individual, his successors or assigns, for a fair and reasonable rental sufficient rolling stock and equipment to enable said individual, his successors or assigns, to operate said railroad lines of the Sutter Street Railway Company, Sutro Railroad Company and San Francisco and San Mateo Electric Railway Company. The reorganization committee will then cause the said operative properties of the Sutter Street Railway Company, Sutro Railroad Company and San Francisco and San Mateo Electric Railway Company and said agreement of lease, subject to said motrgage, and all the rest of the real and personal property now belonging to the United Railroads of San Francisco and acquired at said judicial sale to be transferred to the Market Street Railway Company, and will cause the other acts to be done as provided in the reorganization plan, in consideration for the issuance and delivery by that company of the bonds, notes and shares of stock provided for in the reorganization plan, and the performance by said Market Street Railway Company of all of the steps and acts provided for in the plan capable of being taken and performed at the time, and the agreement by said Market Street Railway Company to take in due time all the steps and perform all the acts provided

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for in the reorganization plan which may not at that time be capable of being then performed.

The $5,200,000 of Market Street Railway Company notes, the payment of which is to be secured by a mortgage on the operative properties and franchises formerly owned by Sutter Street Railway Company, Sutro Railroad Company and San Francisco and San Mateo Electric Railway Company and by the lease of rolling stock and equipment, is to be further secured by $5,200,000 of Market Street Railway Company bonds. The $5,200,000 of Market Street Railway Company notes plus $500,000 in cash will be delivered to the holders of the $5,200,000 of bonds of Market Street Cable Railway Company, The Omnibus Cable Company, Ferries and Cliff House Railway Company and Sutter Street Railway Company. The cash payment in effect means that the underlying bondholders are accepting the notes at approximately 90. While Market Street Railway Company bonds in the amount of $5,200,000 are to be pledged as collateral, should such bonds for any reason be reduced to ownership, the outstanding indebtedness of Market Street Railway Company will not thereby be increased for the reason that the amount of bonds deposited is equal to the face value of the notes secured. The $5,200,000 of bonds to be pledged as collateral may therefore be disregarded in contrasting the proposed capitalization of Market Street Railway Company with the present capitalization of the United Railroads of San Francisco.

A copy of the proposed mortgage, of the collateral trust agreement and of the lease agreement have been filed and all are in satisfactory form.

As recited above, there are $23,500,000 of 4 per cent United Railroads of San Francisco bonds outstanding. Under the reorganization plan, the holders of these bonds will receive:

(a) 15 per cent in Market Street Railway Company 5 per cent bonds	$3,525,000 00
(b) 50 per cent in Market Street Railway Company prior preference stock	11,750,000 00
(c) 5 per cent in Market Street Railway Company preferred stock	1,175,000 00
(d) 10 per cent in Market Street Railway Company second preferred stock	2,350,000 00
(e) 20 per cent in Market Street Railway Company common stock	4,700,000 00
	$23,500,000 00

The holders and owners of United Railroads of San Francisco notes and stock consisting of—

(a) ------ 7 per cent notes	$1,925,000 00
(b) ------ 6 per cent notes	740,000 00
(c) ------ 5 per cent notes	1,000,000 00
(d) ------ Preferred stock	5,000,000 00
(e) ------ Second preferred stock	20,000,000 00
(f) ------ Common stock	17,948,600 00
Total	$46,613,600 00

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will receive of Market Street Railway Company—

Preferred stock	$3,825,000 00
Second preferred stock	2,350,000 00
Common stock	6,000,000 00
Total	$12,175,000 00

To summarize, if the reorganization plan is carried into effect, Market Street Railway Company will have at the time the plan is fully carried out bonds, notes and stock outstanding as follows:

Five per cent bonds due September 1, 1924	$10,166,000 00
Six per cent notes due September 1, 1924	5,200,000 00
Six per cent prior preference stock	11,750,000 00
Six per cent preferred stock	5,000,000 00
Six per cent second preferred stock	4,700,000 00
Common stock	10,700,000 00
Total	$47,516,000 00

The proposed reorganization plan in so far as it relates to the capitalization of the United Railroads of San Francisco properties will produce these results: The present outstanding bonds, notes and stock will be reduced from $82,190,600 to $47,516,000, the reduction amounting to $34,674,000; the indebtedness will be reduced from $39,242,000 to $15,366,000, the reduction amounting to $23,876,000; the capital stock will be reduced from $42,948,600 to $32,150,000, the reduction amounting to $10,798,600; the annual interest charges will be reduced from approximately $1,815,000 to $820,300, the reduction amounting to $994,700.

During 1918 and 1919, United Railroads of San Francisco reported operating revenues, expenses and taxes as follows:

Item		
Railway operating revenues	$7,510,894 09	$8,629,347 00
Railway operating expenses	5,031,683 24	6,106,149 65
Net operating revenues	$2,479,210 85	$2,523,197 35
Less taxes	408,000 00	468,800 00
Operating income	$2,071,210 85	$2,054,397 35

The operating expenses include no allowance for depreciation, for which Richard Sachse, Chief Engineer of the Commission, suggests a charge of $250,000 per annum. Had such a charge been made during 1918 and 1919 and the proposed reorganization plan been in effect, there would have been available for payment of interest, sinking fund and dividends, the amount of $1,821,210.85 in 1918 and $1,804,397.35 in 1919. The amount available for interest, sinking fund and dividends for 1920 is estimated by the Commissioner's engineers at $2,050,000. The interest charges under this proposed plan of reorganization will amount to $820,300, the sinking fund payment to

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$320,000, making a total of $1,140,300, which, if deducted from the $2,050,000, leaves $909,700 available for dividends. These figures are based entirely upon the continuation of the five cent fare in San Francisco.

Applicants have filed in this proceeding an appraisal of the properties of the United Railroads of San Francisco prepared by A. L. Black. There has also been filed an appraisal of the properties prepared by the Commission's engineering department.

	Reproduction cost new, June 30, 1920	Reproduction cost new, less depreciation, June 30, 1920	Historical cost new, June 30, 1920
Company	$60,040,893 00	$52,210,195 00	$35,830,392 00
Commission's engineers	51,856,218 00	41,424,961 00	30,806,514 00
Difference	$8,234,675 00	$10,785,234 00	$5,023,878 00

The historical cost new, less depreciation of the properties, is estimated by the Commission's engineering department at $25,327,964. A. L. Black did not submit an estimated historical cost new less depreciation. Both A. L. Black and the Commission's engineers assumed, in estimating the reproduction cost new, a three-year construction period and applied to the inventory what they regarded as average prices for the three-year period ending June 30, 1920. In arriving at the historical cost, effect was given to the prices prevailing at the time the properties were built, in so far as such prices were obtainable.

The estimated reproduction cost new less depreciation of the physical properties, as reported by A. L. Black, is $10,785,234 more than that reported by the Commission's engineering department, while the estimated historical cost new, as reported by A. L. Black, is $5,023,878 in excess of that reported by the Commission's engineering department. These differences are due to the use of different unit prices and to direct and overhead allowances.

The appraisal figures in the table above cover the physical property only and do not include any allowance for various intangible items or elements of value, such as cost of building up the present organization, the cost of financing, going concern value and the cost of developing the company's business. The net current and miscellaneous assets of the United Railroads of San Francisco, as of October 31, 1920, amount to approximately $2,300,000, which includes $1,617,199.11 of cash, and $96,384.74 of special deposits.

The principal franchises under which the United Railroads of San Francisco is operating, terminate from 1929 to 1932. During these years franchises affecting more than 60 per cent of the company's mileage expire. We assume that the present stock and bond holders

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of the United Railroads of San Francisco are familiar with this situation. On account of the termination of the important franchises and because of municipal competition and the uncertainty of what the attitude of the city will be at the time the franchises terminate, it is practically impossible to consider the capitalization of this company facing expiring franchises and the other conditions mentioned on the same basis as a company with an assured continuance as a going concern. The very substantial reduction in capitalization is obviously a great improvement and the Commission holds this to be the main consideration in granting the application. The reduction in indebtedness and fixed charges should enable the Market Street Railway Company to operate the properties in a satisfactory manner.

The United Railroads of San Francisco operates under lease the properties of San Francisco Electric Railways consisting in general of the Parkside, Parnassus and Visitacion lines and one hundred St. Louis cars. The United Railroads of San Francisco guaranteed the payment of $1,416,000 of San Francisco Electric Railway bonds. Of these, $351,000 are reported to be in the sinking fund of San Francisco Electric Railways, $874,000 are owned by the United Railroads of San Francisco and $191,000 are outstanding and in the hands of the public. The mortgage or deed of trust securing the payment of the bonds constitutes a lien on the properties of San Francisco Electric Railways. It is alleged that San Francisco Electric Realways has defaulted in sinking fund payments. H. H. Phleger, representing certain bondholders of the company, took the position at the hearing that because of the default and for other reasons, the bonds of San Francisco Electric Railways should be paid. Counsel for the reorganization committee in reply and in a statement filed since the hearing, agreed to the payment of the $191,000 of San Francisco Electric Railways bonds. The Commission is of the opinion that these bonds, as well as $45,000 of bonds of Gough Street Railroad Company which are also guaranteed by the United Railroads of San Francisco, should be paid, and the order herein will contain a condition to that effect.

There has not been filed with the Commission a statement showing the reorganization expenses. Applicants have agreed to file such statement as soon as the expenses are known. The Commission will require the filing of such a statement as well as a stipulation relating to the amortization of the reorganization expenses.

ORDER.

Application having been made to the Railroad Commission for an order authorizing the transfer and lease of public utility properties, the execution of a mortgage and a collateral trust agreement, the issue

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of stock, bonds and notes by Market Street Railway Company and the carrying into effect of the reorganization plan of the United Railroads of San Francisco filed in this proceeding and marked "Exhibit 23," a public hearing having been held, and the Commission being of the opinion that this application should be granted subject to the conditions of this order;

It is hereby ordered as follows:

1. United Railroads of San Francisco is hereby authorized to cause all the properties operative and nonoperative owned by it, including cash and income, to be sold through judicial proceedings in connection with the foreclosure of the mortgage dated June 7, 1902, securing its 4 per cent bonds, and if at such sale said properties are bought by Frank B. Anderson, William H. Crocker, Herbert Fleishhacker, John D. McKee and E. S. Heller, or a majority of them, as a reorganization committee, or their nominee or nominees, this order will become operative, otherwise not.

2. Such reorganization committee is hereby authorized to transfer or cause to be transferred all the operative properties and franchises formerly owned by the Sutter Street Railway Company, Sutro Railroad Company and San Francisco and San Mateo Electric Railway Company, and included among the properties purchased by said committee, to a nominee of said committee.

3. Said last mentioned nominee is hereby authorized to mortgage all of said properties so transferred to him as security for $5,200,000 of 6 per cent five-year notes to be executed and issued by the Market Street Railway Company; said mortgage of said nominee securing said $5,200,000 of notes to be substantially in the same form as the mortgage filed in this proceeding and marked "Exhibit 27."

4. Said Market Street Railway Company is hereby authorized to agree to lease railroad equipment and rolling stock to said last mentioned nominee sufficient to enable him to operate said railroad lines for a term of seven years; said lease to be substantially in the form of the lease filed in this proceeding and marked "Exhibit 29."

5. Said last mentioned nominee is hereby authorized to transfer all of said properties acquired by him together with said lease to the Market Street Railway Company subject to said mortgage.

6. Said reorganization committee is hereby authorized to transfer or cause to be transferred to Market Street Railway Company all other property purchased by it at said foreclosure sale, including all cash and income, except bonds of the United Railways Investment Company aggregating $790,000 and notes of Railroads and Power Development Company aggregating $901,384.77, and upon condition that so much of said cash as may be necessary will be used for the payment of

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$191,000 of bonds of San Francisco Electric Railways held by the public and $45,000 of the bonds of the Gough Street Railroad Company, said payments to be made on or before the initial distribution of the securities herein authorized to be issued, and upon the further condition that said Market Street Railway Company shall perform and carry out all the conditions and obligations imposed upon it or upon said reorganization committee in or by the plan of reorganization filed in this proceeding and marked "Exhibit 23."

7. San Francisco Electric Railways and Gough Street Railroad Company are hereby authorized to transfer all of their properties except shares of stock of the United Railroads of San Francisco, to the Market Street Railway Company.

8. Market Street Railway Company is hereby authorized to issue $11,750,000 of prior preference, $5,000,000 of preferred, $4,700,000 of second preferred and $10,700,000 of common stock, said stock to be issued to the parties and for the purposes mentioned in the reorganization plan filed in this proceeding and marked "Exhibit 23."

9. Market Street Railway Company is hereby authorized to issue $5,200,000 of 6 per cent five-year notes dated September 1, 1919, and secure the payment of such notes by the issue and deposit of $5,200,000 of its 5 per cent bonds dated September 1, 1894 and by the aforesaid first mortgage on the operative properties now owned by United Railroads of San Francisco and formerly belonging to Sutter Street Railway Company, Sutro Railroad Company and San Francisco and San Mateo Electric Railway Company. The form of said notes and the form of the deed of trust securing the same by the pledge of Market Street Railway Company bonds shall be substantially in the same forms as those filed in this proceeding and marked "Exhibit 26" and "Exhibit 28."

10. Market Street Railway Company is hereby authorized to issue and deliver to the reorganization committee, or its order, for the purpose of carrying out the plan of reorganization filed in this proceeding and marked "Exhibit 23," and for the purpose of acquiring properties provided for therein, the following bonds, notes and shares of stock of Market Street Railway Company:

Market Street Railway Company bonds dated September 1, 1894, with unmatured coupons attached	$3,525,000 00
New six per cent notes dated September 1, 1919, with unmatured coupons attached	5,200,000 00
Prior preference stock	11,750,000 00
Preferred stock	5,000,000 00
Second preferred stock	4,700,000 00
Common stock	10,700,000 00

In the opinion of the Commission the money, property or labor to be procured or paid for by such issue is reasonably required for the

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purposes specified herein and are not in whole or in part reasonably chargeable to operating expenses or to income.

11. Market Street Railway Company is hereby authorized to acquire the following number, or any greater number of shares of stock of the following public utilities:

(a) 1150 shares of California Street Cable Railroad.
(b) 99975 shares of San Francisco Electric Railway.
(c) 19995 shares of Sutter Street Railway Company.
(d) 23073 shares of Sutro Railroad Company.
(e) 9995 shares of San Francisco and San Mateo Electric Railway Company.
(f) 9994 shares of Metropolitan Railway Company.
(g) 597 shares of Gough Street Railroad.
(h) 130 shares of South San Francisco Railroad and Power Company.

12. The reorganization committee is hereby authorized to issue scrip representing fractional holdings or interest in said Market Street Railway Company bonds, or in the new 6 per cent notes or in the stock herein authorized to be issued. Said scrip shall carry no right to direct payment of interest on itself or on the bonds or notes to which it pertains, and no right to vote or receive direct payment of dividends on the stock to which it pertains, but with other scrip aggregating one or more bonds, notes or shares of stock, shall be convertible into full bonds, notes or shares of stock which latter will carry with them all accumulated interest or dividends which may have been paid thereon during such deposit.

13. The reorganization committee is hereby authorized to issue notes or shares of stock in temporary form, which shall be exchangeable for notes or shares of stock in permanent form as soon as the latter may be ready for exchange.

14. The reorganization committee and other applicants in this proceeding shall file with the Railroad Commission a statement showing the reorganization expenses. No such expenses shall be paid unless approved by the Commission, or the reorganization committee and applicants advised that the approval by the Commission of the payment of the expenses is not necessary. There shall also be filed with the Commission by a person or persons properly authorized a stipulation to be approved by the Commission to the effect that the reorganization expenses will, at such time, in such amounts and in such manner as the Railroad Commission may order, be amortized out of income.

The authority herein granted is subject to further conditions as follows:

A. Applicants shall exchange or cancel or cause to be exchanged or canceled the following bonds, notes and shares of stock:

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Bonds—	
Market Street Cable Railways, matured January 1, 1913	$1,800,000 00
Ferries and Cliff House Railway Co., matured March 1, 1914	400,000 00
The Omnibus Cable Company, matured April 2, 1918	2,000,000 00
Sutter Street Railway Company, matured May 1, 1918	1,000,000 00
United Railroads of San Francisco, maturing April 1, 1927	23,500,000 00
San Francisco Electric Railways	191,000 00
Gough Street Railroad Company	45,000 00
Notes—	
United Railroads 7 per cent notes	1,925,000 00
United Railroads 6 per cent notes	740,000 00
United Railroads 5 per cent notes	1,000,000 00
Stock—	
United Railroads first preferred stock	5,000,000 00
United Railroads second preferred stock	20,000,000 00
United Railroads common stock	17,948,600 00

B. Applicants shall cause the trustees under the various trust deeds securing the above-mentioned bond issues to execute and deliver proper releases and reconveyances where authorized by and in accordance with the terms of the respective trust deeds.

C. The authority herein granted will not become effective until Market Street Railway Company shall have paid the fee prescribed by the Public Utilities Act.

D. Market Street Railway Company shall keep such record of the issue and delivery of the bonds, notes and stock herein authorized as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made part of this order.

E. Within sixty days after the execution, Market Street Railway Company shall file with the Railroad Commission a verified copy of the mortgage securing the payment of the $5,200,000 of five-year 6 per cent notes, of the collateral trust agreement under which $5,200,000 of its bonds are deposited and of the lease of rolling stock and equipment to the nominee who will acquire the properties of Sutter Street Railway Company, Sutro Railroad Company and San Francisco and San Mateo Electric Railway Company.

F. The securities herein authorized to be issued, and the consideration given in payment for the properties, shall not be urged before the Commission or any other body of competent jurisdiction, as a measure of value of said properties for the purpose of fixing rates or any purpose other than the transfers herein authorized.

G. The authority herein granted will apply only to such bonds, notes and stock as may be issued and delivered on or before June 30, 1921.

Dated at San Francisco, California, this twenty-second day of December, 1920.

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DECISION NO. 8487.

IN THE MATTER OF THE APPLICATION OF CLEMENS A. FELDMEYER FOR AN ORDER AUTHORIZING INCREASE OF WATER RATES.

Application No. 5602.

Decided December 23, 1920.

Clemens A. Feldmeyer, in propria persona.

BY THE COMMISSION.

OPINION.

Clemens A. Feldmeyer, applicant in the above entitled proceeding, owns and operates a public utility water system which supplies water for domestic and commercial use to the inhabitants of Geyserville, Sonoma County. The application in this matter alleges in effect that the present rates are not uniform and do not yield sufficient revenue to provide operating expenses, depreciation and a reasonable return upon the investment. The Commission is petitioned, therefore, to establish an adequate schedule of rates.

A public hearing was held in this matter in Geyserville, October 13, 1920. All interested parties were notified and given an opportunity to be present and be heard.

The present rates were arbitrarily adopted by the owner of the system in 1906 and are as follows:

Monthly flat rate varying from 50 cents to $1.25. (Not uniform.)

Meter Rates.

Minimum monthly charge entitling consumer to 1250 cubic feet of water	$1 25
Up to 3000 cubic feet, per 100 cubic feet	10
All over 3000 cubic feet, per 100 cubic feet	08

The entire water supply is obtained from a shallow well, thence it is pumped into a 40,000 gallon concrete lined reservoir and a 20,000 gallon redwood stave tank, from which the water is distributed by gravity through about 8000 feet of steel pipe, which ranges from 4 inches to ¾ inches in diameter. On October 1, 1920, there were 83 active services, of which 14 were metered.

Mr. M. R. MacKall, one of the Commission's hydraulic engineers, submitted a report showing an appraisement of this plant, based as far as possible upon the available records of actual original cost, of $5,277; a depreciation annuity, computed by the sinking fund method, of $86, and a reasonable annual allowance for maintenance and operation expense of $1,019. No appraisal of the water utility property was introduced by the applicant. A careful consideration of all the evidence leads to the conclusion that the estimates presented by the Commission's engineer are fair and reasonable and they are used for the purposes of this proceeding.

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The total annual charges, based upon the foregoing figures, are $1,527, while the revenue for the year 1919 was $1,097. It appears, therefore, that the applicant is entitled to an increase in revenue. The schedule established in the accompanying order is designed to yield sufficient revenue to meet the reasonable and necessary cost of maintaining and operating the system, provide a proper replacement annuity and produce a fair return upon the capital invested.

ORDER.

Clemens A. Feldmeyer, having made application in the above entitled matter, a public hearing having been held thereon, and the Commission being fully apprised in the matter:

It is hereby found as a fact, that the rates now charged by Clemens A. Feldmeyer for water supplied to his consumers are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates for such service, and basing its order upon the foregoing finding of fact and upon the statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Clemens A. Feldmeyer be, and he is hereby authorized and directed to file with the Railroad Commission, within twenty (20) days from the date of this order, the following rates for water delivered to his consumers in Geyserville and vicinity, said rates to be charged on all bills rendered on and after February 1, 1921:

Monthly Flat Rates.

Residences	$1 50
Private garages, provided with a water tap	50
Private stables, including one horse and vehicle	25
For each additional animal	10
Sprinkling and irrigating lawns, gardens, shrubbery, etc., per square yard of surface actually irrigated	005
Butcher shops, bakeries, restaurants, saloons, creameries, photograph galleries, public garages, ice cream parlors and soda fountains	2 00
Barber shops	1 50
Public baths, with one tub	1 00
For each additional tub installed in same establishment	50
Public halls	1 50
Public watering troughs	1 00
For stores used also for residential purposes, additional	1 00
Other stores and offices	1 50
For street sprinkling in front of premises	50

Monthly Meter Rates.

Monthly minimum of 500 cubic feet or less	$1 00
For the next 1500 cubic feet, per 100 cubic feet	15
For all over 2000 cubic feet, per 100 cubic feet	12

It is hereby further ordered, that Clemens A. Feldmeyer be and he is hereby directed to file with the Railroad Commission, within thirty (30) days from the date of this order, rules and regulations

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governing the service of water to his consumers, said rules and regulations to be put into effect upon their approval by the Railroad Commission.

Dated at San Francisco, California, this twenty-third day of December, 1920.

DECISION No. 8488.

IN THE MATTER OF THE APPLICATION OF AMERICAN RAILWAY EXPRESS COMPANY FOR AUTHORITY TO INCREASE EXPRESS RATES AND TO CHANGE ITS CLASSIFICATION.

Application No. 5912.

Decided December 23, 1920.

EXPRESS RATES—INCREASES IN—AFFIRMATIVE SHOWING REQUIRED.—The Commission heretofore authorized an increase of 12½ per cent in all express rates in California, in connection with which decision it held that no further increases would be authorized except upon an affirmative showing by applicant that its California business was being operated at a loss; and applicant's supplemental petition having failed to meet the requirements of the above order, petition denied.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

This is a supplemental application by the American Railway Express Company petitioning the Railroad Commission to authorize further increases in its rates to harmonize with the increases authorized by the Interstate Commerce Commission in the report and decision of that Commission rendered September 21, 1920, Docket No. 11326, Express Rates 1920.

In our opinion and order, Decision No. 8121, rendered September 17, 1920, on Application No. 5912, upon the record then made this Commission authorized an increase of 12½ per cent in all of applicant's rates in the State of California.

The applicant operated under government control from November 18, 1918, until March 1, 1920, and the government guaranteed applicant against operating loss from July 1, 1918, to September 1, 1920. During the year 1919 the express company was operated at a net loss of approximately $22,000,000, and the evidence in the preceding hearing showed that during the first six months of 1920 its net operating loss amounted to approximately $3,000,000 per month. Therefore, being convinced upon that showing that an emergency existed, with no time at hand to thoroughly investigate the matter to ascertain whether or not this company was operating at a loss or at a profit in the State of California, this Commission granted an increase of 12½ per cent in all of the express rates in California in order to provide the relief that applicant averred was necessary.

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We repeat the following language from our Decision No. 8121 in the preceding case:

> Shortly after the Interstate Commerce Commission's order in Docket No. 11326, authorizing a 12½ per cent increase in express rates, the entire amount to accrue to the express company, the Railroad Labor Board issued its decision granting express employees additional wages, which the company assumes will amount to $44,258,903, retroactive to May 1, 1920, and the express company has made a supplemental application to the Interstate Commerce Commission for an additional increase of 15 per cent in rates to cover the Labor Board wage award, and following their usual procedure, we assume the applicant will immediately, after decision by the Interstate Commerce Commission, file an application for similar increases with this Commission.
>
> There is no evidence before us in this record upon which to conclude that a 12½ per cent increase in rates will be sufficient, or exceed applicant's present requirements within the State of California, but the record does show, as heretofore stated, that the total operating losses were approximately $22,000,000 for the year 1919 and were $3,000,000 per month during the first six months of 1920; also that the wage award of the Railroad Labor Board increased operating expenses $44,000,000 per annum, retroactive to May 1, 1920. The increases in wages granted to employees handling California traffic will be substantial and the additional revenue secured under the proposed rates will probably be no more than sufficient to meet the increased operating expenses.
>
> We are of the opinion that in this emergency this application can safely be granted in view of the fact that applicant now has before the Interstate Commerce Commission an application for a further increase of 15 per cent in its rates to meet the increased wages now being paid, and further considering that a request for similar increase will be made of this Commission.
>
> If request is made following the decision of the Interstate Commerce Commission in the 15 per cent proceeding for additional increases in rates or changes in classifications, resulting in increases in California rates, the applicant will be required to make an affirmative showing that the proposed increases, in so far as they affect California, are reasonable.

The applicant at the hearing in this proceeding presented certain figures, in exhibits, purporting to show that California would not bear any more than its just proportion of the additional operating expenses if the increases applied for were allowed. These figures, however, were made by using the revenues and expenses for the system as a whole, brought down to California basis by using percentage proportions arrived at by taking the relation between California intrastate business as compared with all business, state and interstate, throughout the system. Other figures are based upon the total number of employees in the system and another set of figures, based upon its report to the State Board of Equalization for taxation purposes, which figures as far as intrastate business was concerned, were based upon mileage—the average mileage within the State of California as compared to the mileage of the total haul. None of these methods may be considered as an accurate reflection of the net return within the State of California.

The evidence is devoid of any particular or definite showing in so far as actual California State business and expenses were concerned. No testimony was offered at the hearing, only the statements by the company's counsel and the exhibits, prepared as indicated above. Data called for by the Railroad Commission and furnished by the company

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clearly indicates that the operating costs, based upon the ratio of expenses to the business and also upon the cost per shipment, is lower in the western departments of the company than in any of the other departments, and it is acknowledged by the applicant that the operating costs are higher and the loss and damage to shipments is greater in the zones other than in Zone 5.

The Commission clearly stated in its previous opinion and order that if applicant proposed further increases in rates an affirmative showing must be made and the increased rates fully justified in so far as they would affect strictly California intrastate traffic. No such showing has been made, applicant offered no testimony of any kind, the exhibits are barren of data giving the value of the property devoted to the intrastate service, and there is no information before the Commission showing the California intrastate revenue and expenses. It may be that California, through the present rate adjustment, is not providing its proper proportion of the revenue required to carry on the service, while on the other hand, because of the increases made since 1914 due to the conditions created by the war, the present rates may be found to be entirely adequate to meet the present situation. The Commission is convinced that the applicant is operating at a tremendous loss in so far as the system as a whole is concerned, but it has not been shown that the same condition is a fact in so far as strictly California intrastate business is concerned.

After giving careful consideration and study to the statements of counsel, the exhibits and the briefs, we are of the opinion that the application in this proceeding should be denied, without prejudice.

It is hereby ordered, that this application should be and the same is hereby denied.

Dated at San Francisco, California, this twenty-third day of December, 1920.

DECISION No. 8489.

IN THE MATTER OF THE APPLICATION OF NEEDLES GAS AND ELECTRIC COMPANY REQUESTING THAT THE RAILROAD COMMISSION ESTABLISH REASONABLE RATES FOR ELECTRIC, GAS AND TELEPHONE SERVICE SUPPLIED TO ITS CUSTOMERS IN THE CITY OF NEEDLES AND SURROUNDING TERRITORY.

Application No. 5083.

Decided December 23, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL OPINION.

A public hearing in this proceeding was held on January 26, 1920, at Needles, before Examiner Satterwhite, and the matter was sub-

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mitted. At the request of the applicant, made subsequent to the hearing, the Commission held its decision in abeyance to enable applicant to effect a change in its management and to determine whether, by the improvement of service conditions and by certain economies, the property could be operated without increasing rates.

After operating under the new management for approximately six months, it appeared that relief in the form of higher rates was necessary and on September 10, 1920, the Commission issued its Decision No. 8073, establishing rates for electric and gas service. Applicant now asks that its rates for telephone service be increased.

The rates at present on file with the Commission and in effect, and those which applicant desires to place in effect are as follows:

	Present rates		Proposed rates	
Inside city limits:	Wall	Desk	Wall	Desk
Business, 1 party	$3 00	$3 25	$4 00	$4 25
Business, 2 party	2 50	2 75	--	--
Residence, 1 party	2 00	2 25	3 00	3 25
Residence, 4 party	1 50	1 75	2 50	2 75
Outside city limits:				
Business, 4 party	2 50	2 75	--	--
Residence, 4 party	1 75	2 00	--	--
Extension sets:				
In same building	75	1 00	--	--
Outside building	1 25	1 50	--	--

In a statement offered by applicant since the hearing, operating expenses for the telephone system from January 1 to August 31, 1920, are shown to have amounted to $3968.88, exclusive of depreciation. On this basis, operating expenses for the full year would amount to $5953.32. This amount is approximately $660 in excess of operating expenses for the year 1919. The net income for the year 1919, after allowing for depreciation, was approximately $950. Applicant states that the salaries now paid its operators are higher than those paid in 1919 and that it will probably be necessary to pay further increases in salaries and wages aggregating approximately $1344 per year. It is also represented that, considering the combined business of its three utilities—electric, gas and telephone—as a whole, it is now operating at a loss, and unless prompt and sufficient relief is given, a receivership will result. It does not appear from the evidence presented at the hearing or from information which has been presented subsequently that applicant's telephone property is being operated at a loss. It does appear from the above, however, that present operating expenses are approximately equal to income and that applicant is entitled to relief.

A valuation of applicant's telephone property made by the Commission's engineers and filed at the hearing in this proceeding as Com-

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mission Exhibit "D" shows a reproduction cost of this property on an historical basis, of $16,177.

The statement of operating expenses on which this earning is based having been compiled by applicant since the hearing, it appears that applicant is not now earning a reasonable return upon its property. We cannot agree with applicant, however, that the rates which it proposes are necessary to secure it against loss from the operation of its telephone service or that telephone rates should bear such loss, if any, as may result from the operation of applicant's other utilities. On the other hand it is perhaps true that conditions at Needles are such as to justify higher rates for telephone service than should obtain under more favorable conditions of operation.

In determining just and reasonable rates, the Commission is unwilling to take into account in operating expenses increases in salaries and wages which may be contemplated but not actually in effect and which are more or less uncertain. In view of the foregoing, however, we are willing to recommend that applicant be permitted to make effective the rates set forth on the following order. Based upon the stations actually in service on January 1, 1920, these rates will yield a net return upon the reproduction cost above referred to of approximately 10 per cent after payment of present operating expenses, plus 4 per cent for depreciation reserve, but without taking the salary increases above referred to into account.

ORDER.

The Railroad Commission having on September 10, 1920, issued its decision No. 8073, establishing rates to be charged and collected by Needles Gas and Electric Company for electric and gas service, and said Needles Gas and Electric Company having applied for an order establishing rates for telephone service, a hearing having been held, the matter being submitted and being now ready for decision,

The Railroad Commission hereby finds as a fact that the rates for telephone service now charged by Needles Gas and Electric Company, in so far as they differ from the rates hereinafter established, are unjust and unreasonable and that the rates hereinafter set forth are just and reasonable rates to be charged and collected by Needles Gas and Electric Company for telephone service, and, basing its conclusions on the foregoing findings of fact and on the other findings of fact set forth in the opinion herewith;

It is hereby ordered, that Needles Gas and Electric Company be and it is hereby authorized to publish and file with this Commission within

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thirty days of the date of this order and to make effective on and after January 1, 1921, the following schedule of monthly rates:

	Business service		Residence service	
	Wall set	Desk set	Wall set	Desk set
1 party	$3 75	$4 00	$2 50	$2 75
2 party	3 25	3 50	2 00	2 25
4 party	--	--	1 75	2 00
Extension sets:				
Same building, same premises	1 00	1 00	1 00	1 00
Outside building, same premises	1 50	1 50	1 50	1 50

The rates hereinabove authorized are applicable within the city limits of the city of Needles. For service beyond the city limits mileage charges, in addition to the authorized rates, shall apply, mileage to be measured in a direct air line from the central office switchboard at the following rates:

1 party line, per quarter mile or fraction	50 cents per month
2 party line, per quarter mile or fraction	35 cents per month
4 party line, per quarter mile or fraction	25 cents per month

Provided that, except as herein modified and except as modified by Decisions No. 2879 and No. 8146, the present rates, rules, regulations and practices of Needles Gas and Electric Company, in so far as they relate to telephone service and rates, are hereby continued in full force and effect.

Dated at San Francisco, California, this twenty-third day of December, 1920.

DECISION No. 8491.

IN THE MATTER OF THE APPLICATION OF THE UNION WATER COMPANY OF CALIFORNIA AND THE UNION WATER DEVELOPMENT COMPANY TO SELL, AND OF EAST BAY WATER COMPANY TO BUY THE WHOLE OF THE PLANT AND SYSTEM OF THE UNION WATER COMPANY OF CALIFORNIA.

Application No. 5503.

Decided December 24, 1920.

TRANSFER—WATER UTILITIES.—In considering an application of one water company to transfer its properties to another the Commission holds that the consolidation of two competing companies will not only benefit the utilities interested, but will also be of benefit to the public in that it will eliminate expensive competition and the construction of duplicate facilities all of which the public would be obliged to pay for through rates. The sum of $1,100,000 is found to be a fair and reasonable price to be paid by the East Bay Water Company for the properties of the Union Water Company of California, and the latter is authorized to transfer its properties to the former at the above figure.

Harry A. Encell, for The Union Water Company of California and Breed and Bancroft.

R. P. Henshall, for The Union Water Company of California and The Union Water Development Company.

W. E. Creed and *McKee, Tasheira and Warhaftig*, by *Arthur G. Tasheira*, for East Bay Water Company.

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Leon E. Gray, for City of Oakland.
Frank V. Cornish, for City of Berkeley.
D. J. Hall, for City of Richmond.
W. J. Locke, for City of Alameda.
E. A. Freeman, for Consumers of The Union Water Company of California.

EDGERTON, *Commissioner*.

OPINION.

This is a proceeding in which the authorization of this Commission is sought by The Union Water Company of California and The Union Water Development Company to transfer a certain public utility water system owned and operated by them in Alameda and Contra Costa counties to the East Bay Water Company, and by the East Bay Water Company to purchase said system. In this application the parties also request that the Railroad Commission fix the price to be paid by East Bay Water Company for said system.

The application herein recites that The Union Water Company of California is a public utility water company engaged in the business of supplying water to consumers in Oakland, San Leandro, and other communities in Alameda and Contra Costa counties; that The Union Water Development Company is sole owner of all the stock of The Union Water Company of California except such shares as are necessary to qualify directors; that East Bay Water Company is a public utility water company engaged in the business of selling and distributing water in Alameda and Contra Costa counties; and that the sale and transfer of the properties as outlined in said application will result in better serevice to consumers and economies in operation.

In this proceeding the Commission is primarily concerned with the question of whether or not the transfer of this property from one ownership to another, as outlined, will serve the best interests of the public. To determine this consideration must be given to whether or not the proposed transfer will better service conditions, effect economies in expenditures and efficiencies in operation. Furthermore, the public is concerned in eliminating prospective duplication of systems and competitive conditions which ultimately must react to the injury of the consumer.

At the present time the East Bay Water Company and The Union Water Company of California are competing in certain portions of the territory served. In some instances the area served by The Union Water Company of California is entirely surrounded by that served by the East Bay Water Company. There are duplications of equipment and distribution systems which could be eliminated if the systems were operated under one ownership. As the situation now exists neither company can proceed with its development or extend its service area in certain locations without a duplication of facilities and consequent economic waste. Such a situation develops competi-

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tion which is economically unsound for the companies, and imposes an undue burden upon consumers.

If these companies continue to operate as separate entities, they must eventually enter into a long period of expensive competition. This would mean that each company would have to expend large sums of money to maintain its present status and secure new consumers. Experience has shown that where competition occurs such as might develop here, the cost of this competition is ultimately borne by the consumers, resulting finally in a higher rate being paid for the service rendered than would otherwise obtain.

The rate schedule at present in effect under The Union Water Company's system is lower than that of the East Bay Water Company. In the event of the transfer of The Union Water Company's system to the East Bay Water Company, it would follow that the consumers of the first company would be required to pay a higher rate for the service rendered. However, if the present rate schedule of The Union Water Company were continued in effect, I wish to direct attention to the fact that this rate schedule would not yield to The Union Water Company an income sufficient to meet operating expenses, replacement fund, and an interest return on its investment. Although it is true that the territory now served by The Union Water Company is still in its development stage and therefore this company's present system is only partially utilized, obviously it cannot continue to operate indefinitely at a deficit. As its territory develops, additional sources of water supply must be obtained which would require the expenditure of a considerable sum of money, and it would follow that the ultimate consumer would pay in rates an interest return and replacement fund upon the sum so expended. Thus while it appears that the proposed transfer would result in an immediate increase in the rate for service to the present consumers of The Union Water Company, an analysis of the situation points to the conclusion that for reasons stated above, the present rate of The Union Water Company would probably be enjoyed for only a limited time and that in the long run the interest of the consumers and the welfare of the community at large will best be served by the consolidation of the two systems in question. Such a consolidation will inure to the benefit of the consumers of the East Bay Water Company, in that the necessary overhead expenses will be distributed among a larger number of consumers, certain economies of operation will result, and expensive competition will be obviated. In this instance it is apparent that the public interest would best be served by combining the systems operating in this territory under one management, and that no good purpose would be served by prolonging the period of competition. With the combined systems operating under one management and

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ownership, using facilities and equipment without duplication, having all sources of supply under one supervision, the service can be more adequately administered.

While the above facts are true from an operating standpoint, the economic feasibility must necessarily be dependent upon the price that the East Bay Water Company will be required to pay for the properties of The Union Water Company.

In view of the scope of this proceeding, careful consideration should be given to the value of this plant to the purchaser, as well as the value to the seller.

It now remains to determine what is a fair price to be paid for these properties, under all of the circumstances outlined above.

The Union Water Company was incorporated in 1908, and obtained a 99-year franchise from the state. This franchise grants permission for the corporation to lay pipes and to sell water, gas and heat to consumers in any part of the state. The company was reorganized in 1910 under the name of The Union Water Company of California. Construction of the present system was begun in 1910, and at the present time it consists of 15 pumping plants, 103 wells, 11 storage tanks of a combined capacity of 1,375,000 gallons, and a distribution pipe system comprised of standard screw pipe, steel casing, converse pipe and cast iron pipe, of a total length of approximately 112 miles. There are approximately 4500 service connections and the system is practically 100 per cent metered. Mr. F. M. Faude, one of the Commission's hydraulic engineers, and Mr. W. C. Fankhauser, the Commission's financial expert, presented exhibits at the hearing showing estimated reproduction cost, reproduction cost less depreciation, and historical cost as shown by the records of the company. Their presentation also includes statements of maintenance and operation expense, replacement funds, revenues, and other pertinent data. No other appraisal was presented, and practically no other evidence submitted with reference to the value of the plant by any of the parties to the proceeding, except that The Union Water Company of California presented a report prepared by Mr. Harold Everhart, expert accountant, purporting to show the cost of developing its present business.

The following is a summary of the estimates presented:

Cost of reproducing the property	$1,768,537 00
Cost of reproduction less depreciation	1,499,022 00
Original cost of the property new, to August 31, 1920	1,042,710 00
Original cost depreciated in the same proportion as reproduction cost	886,303 00
Probable revenue in 1920, less amount paid by East Bay Water Company	117,000 00
Probable revenue by applying East Bay rates	206,000 00
Probable operating expenditures if operated by The Union Water Company	$65,000 00 to 67,500 00
Probable operating cost if operated by East Bay Water Company	$41,000 00 to 48,500 00
Replacement fund (sinking mund method), approximately	12,000 00

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The evidence shows that the territory served by The Union Water Company is, as a whole, sparsely settled. To serve a consumer of this company it requires more than twice the length of distribution pipe than is required in systems serving areas which have an average density of settlement. This fact becomes apparent upon comparing the length of pipe necessary to serve consumers of The Union Water Company with the length required to serve consumers of the East Bay Water Company, San Jose Water Company, Spring Valley Water Company and the Fresno City Water Company. In other words, the district served has at this time attained only a fraction of its possible development.

In determining the value arrived at herein, an analysis has been made of the estimates submitted, the proportion of the system utilized in serving present consumers, the potential value of the system to serve future consumers, the present and prospective earnings of The Union Water Company and the East Bay Water Company, the loss from earnings heretofore sustained by The Union Water Company, the amount that the East Bay Water Company can afford to pay for this system without dilution of its present outstanding securities, reproduction cost, cost of reproducing the property less depreciation, the original cost of the property, the original cost less the value of the use already had by The Union Water Company, and such other elements as are pertinent. In other words, consideration has been given to the elements of the value of this plant to The Union Water Company, and also its value to the East Bay Water Company.

After a careful consideration of this matter, I am of the opinion that a fair price to be paid for these properties is the sum of $1,100,000, and that public interest will be served by the transfer of these properties to the East Bay Water Company.

At the hearing herein a tabulation was submitted showing that The Union Water Company now has in its possession deposits for extensions aggregating $58,908.10, which it must return to its consumers who made these deposits as the territory covered by the extensions develops. In fixing the price to be paid for the property herein, I have not deducted the amount of these deposits from the price fixed, but have left this matter for adjustment between the parties interested.

FINDINGS AND ORDER.

Application having been made by The Union Water Company of California and The Union Water Development Company to sell, and by the East Bay Water Company to buy the certain water system now owned and operated by The Union Water Company of California, and for the fixing of the price at which the property shall be transferred,

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public hearings having been held and the Commission being fully apprised in the matter;

It is hereby found as a fact, that public convenience will be served by a transfer of the properties of The Union Water Company of California to East Bay Water Company and that a fair price to be paid for the said water utility system, which is more particularly described in Appendix "A" attached hereto and made a part hereof, is the sum of $1,100,000.

And basing its order upon the foregoing finding of fact and the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that The Union Water Company of California be and it is hereby authorized to sell and the East Bay Water Company to buy the public utility water system described in Appendix "A" as attached hereto and made a part hereof, upon the following conditions being complied with and not otherwise:

1. That the transfer herein authorized shall be completed on or before April 1, 1921;

2. That within fifteen (15) days of the date of the transfer, certified copies of the instrument of conveyance shall be filed with this Commission by The Union Water Company of California;

3. That within ten (10) days from the date on which The Union Water Company of California relinquishes possession and control of the public utility properties herein authorized to be transferred, said company shall file with the Railroad Commission a certified statement setting forth the date upon which such possession and control was actually relinquished;

4. That the consideration given for the transfer of the public utility properties herein authorized to be transferred shall not be urged before this Commission or any other public body as a finding of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

The foregoing opinion, findings and order are hereby approved and ordered filed as the opinion, findings and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of December, 1920.

APPENDIX "A".

A Description of the Property to Be Conveyed by the Union Water Company of California to East Bay Water Company.

REAL ESTATE.

Ninety-second avenue property, described as follows.

Commencing at a point on the southern line of lot No. 4 (four), shown on the plot hereinafter referred to, distant thereon 225 (two hundred twenty-five) feet westerly from the southeastern corner thereof and running thence westerly along

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the southern line of said lot No. 4, 464 (four hundred sixty-four) feet eight inches to the center line of Peralta avenue, thence southerly along the said line of Peralta avenue 315 (three hundred fifteen) feet two inches to the center line of Kinsell avenue, thence easterly along the center line of Kinsell avenue 465 (four hundred sixty-five) feet or thereabouts to the point of its intersection by a line parallel with and lying 225 (two hundred twenty-five) feet to the westward of the eastern line of lot 3 (three) shown on the plot hereinafter referred to and thence northerly thereon to the place of beginning; containing 3¾ acres, being a portion of lot No. 3 (three) as the said lot is delineated and so designated on the plot entitled "Map of the Peralta Tract Alameda County, California," filed on September 12, 1889, in the county recorder's office of said Alameda County, California.

Beginning at a point in the center line of Peralta avenue, distant thereon six hundred thirty-one and 62/100 (631.62) feet northwesterly from the point of intersection thereof with the center line of Kinsell avenue; and running thence northeasterly at right angles six hundred eighty-nine and 7/10 (689.7) feet; thence at right angles southeasterly forty (40) feet; thence at right angles southwesterly six hundred eighty-nine and 7/10 (689.7) feet to the center line of Peralta avenue; and thence at right angles northwesterly along said center line of Peralta avenue forty (40) feet to the point of beginning.

Containing 606/1000 (.606) acres and being a portion of lot numbered four (4) as said lot is laid down and delineated upon that certain map entitled, "Map of the Peralta Tract, Alameda County, California, W. F. Boardman," filed September 12, 1889, in the office of the county recorder of Alameda County, California.

Commencing at a point on the center line of Peralta avenue distant thereon three hundred sixteen (316) feet 1.68 inches northwesterly from the point of intersection thereof with the center line of Kinsell avenue; running thence northwesterly along said line of Peralta avenue three hundred fifteen (315) feet 5.76 inches; thence at right angles northeasterly six hundred eighty-nine (689) feet 8.4 inches; thence at right angles southeasterly three hundred fifteen (315) feet 5.76 inches and thence at right angles southwesterly six hundred eighty-nine (689) feet 8.4 inches to the point of commencement.

Being lot No. 4 as laid down and delineated upon a certain map entitled "Map of the Peralta Tract, Alameda County, California, W. F. Boardman," filed September 12, 1889, in the office of the recorder of Alameda County, California, excepting the portion of said premises included in said Peralta avenue.

Jones avenue property.

All that certain lot, piece or parcel of land situate, lying and being in the city of Oakland, county of Alameda, State of California, and bounded and particularly described as follows, to wit:

Beginning at a point on the southeasterly line of Road No. 1, or Jones avenue, from which said point the intersection of the southwesterly line of plot No. 2 with the said southeasterly line of Road No. 1 (as said plot and road are delineated and so designated on that certain map entitled, "Map of lands in partition in the suit of *William P. Toler, et al.* vs. *Jose C. Peralta, Administrator et al.*" (Being case No. 5408, Third District Court) bears south 45 degrees 33 minutes west, one hundred sixty-seven and 49/100 (167.49) feet; thence following along an old fence line, south 44 degrees 58 minutes east, five hundred twenty-five and 80/100 (525.80) feet, to the southeasterly line of said plot No. 2; thence along the southeasterly boundary line of plot No. 2, south 45 degrees 39 minutes west, one hundred sixty-eight and 78/100 (168.78) feet, to the said southwesterly line of said plot No. 2; thence along said boundary line of plot No. 2, north 44 degrees 49½ minutes west, five hundred twenty-five and 55/100 (525.55) feet, to the southeasterly line of Road No. 1, or Jones avenue, thence along the said southeasterly line of said road No. 1, or Jones avenue north 45 degrees 33 minutes east, one hundred sixty-seven and 49/100 (167.49) feet, to the point of commencement.

Containing two and 29/1000 (2.029) acres, and being a portion of said plot numbered two (2).

Cherry Lynn property.

All that certain lot, piece or parcel of land, in the town of San Leandro, county of Alameda, State of California, described as follows, to wit:

Being lot No. 21, in block lettered A/83 as the said lot and block is delineated and so designated upon that certain map entitled, "Map of the Cherry Lynn Tract, in the town of San Leandro, Alameda County, California," filed January 24, 1908, in the office of the county recorder of the said Alameda County.

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Fremont tract property.

All of lot number two hundred fifty-one (251), as said lot is delineated and so designated upon that certain map entitled "Map of Fremont Tract, Oakland, Alameda County, California," etc., filed March 10, 1911, in the office of the county recorder of said county of Alameda, State of California.

Walker property.

All that certain lot, piece or parcel of land in the city of Oakland, county of Alameda, State of California, described as follows:

(1) Beginning at the northeasterly line of plot No. 7 at a station on the southerly corner of plot No. 2; thence along said line south 45 degrees east 4.84 chains to the westerly corner of plot No. 4; thence along the northwesterly line of said plot north 45½ degrees east 12.48 chains to station on the southwesterly line of a road 25 links wide; thence along the southwesterly line of said road north 37 degrees 5 minutes west 4.86 chains to the easterly corner of plot No. 1; thence along the southeasterly line of plots Nos. 1 and 2 south 45½ degrees west 13.15 chains to the place of beginning;

Containing 6.22 acres and being plot No. 3 as said plot is shown on that certain map or diagram of lands in partition accompanying the report of the referee in partition in that certain suit entitled *Wm. P. Toler, et al.*, vs. *Jose C. Peralta, Administrator, et al.*, begun in the District Court of the Third Judicial District of the State of California, in and for the county of Alameda, on December 31, 1879, and numbered on the register of said court as No. 5408.

(2) Beginning on the northeasterly line of plot No. 7 at a station on the southerly corner of plot No. 3; thence along said line south 45 degrees east 5.11 chains to station on the westerly corner of plot No. 5; thence along the northwesterly line of said plot No. 5 north 45½ degrees east 11.77 chains to the southerly line of a road 25 links in width; thence along the southwesterly line of said road north 37 degrees .05 minutes west 5.15 chains to the easterly corner of plot No. 3; thence along the southeasterly line of said plot No. 3 south 45½ degrees west 12.43 chains to the place of beginning.

Containing 6.22 acres, and being plot No. 4, as said plot is shown on the map or diagram above referred to.

(3) Beginning on the northeasterly line of plot No. 7 at station at the southerly corner of plot No. 4; thence along said line south 45 degrees east 5.10 chains to the westerly corner of plot No. 6; thence along the northwesterly line of said plot No. 6 north 45½ degrees east 11.08 chains to the southwesterly line of a road 25 links in width; thence along the southwesterly line of said road north 37 degrees .05 minutes west 5.14 chains to the easterly corner of plot No. 4; thence south 45½ degrees west 11.77 chains to the place of beginning.

Containing 5.85 acres, and being plot No. 5 as said plot is shown on the map or diagram above referred to.

Pullman No. 3 and Bay View property, described as follows.

All of lots thirty-nine (39) and forty (40), in block four (4), and lot sixteen (16) in block seven (7), of Bay View Park, as said lots and blocks are respectively delineated on the map of Bay View Park, filed in the office of the county recorder of the county of Contra Costa, State of California, on the fourth day of April, 1905.

Pullman No. 1 property, described as follows.

Commencing at a point on the easterly line of Mary street, distant thereon six hundred fifty (650) feet northerly from northeast corner of county road No. 9 and Mary street, running thence northerly along said easterly line of Mary street ninety-three and 92/100 (93 and 92/100) feet; thence at an angle easterly one hundred twenty-four and 83/100 (124 and 83/100) feet; thence at right angles southerly ninety-three and 92/100 (93 and 92/100) feet; thence at right angle westerly one hundred twenty-four (124) feet to the point of beginning, being a portion of block number twenty-three (23) El Cerito Land Company's tract as delineated upon the official map of said El Cerito Land Company, filed in the office of the county recorder on June 15, 1904.

Also, all that certain lot, piece, parcel or tract of land situate, lying and being in lot twenty-six (26), in the San Pablo Rancho, in the county of Contra Costa, State of California, and particularly described as follows, to wit: Lot number seven (7) in the El Cerito tract, as the same is designated on that certain map of said El Cerito filed in the office of the county recorder of Contra Costa County on June 20, 1904.

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Pullman No. 2 and No. 4 property, described as follows.

All of lots Nos. 66, 72, 73, 74, 75, 128, 129, 130, 141, 143, 147, 151, 156, 161, 165, 166, 167, 168, 169, 170, as said lots are delineated upon that certain map entitled "Map of Parsons Pullman Center Tract," recorded in the office of the county recorder of said county of Contra Costa, California, on the sixth day of May, 1912.

Stonehurst property, described as follows.

Lot number eighty-three (83) and lot numbered eighty-four (84), as the same are delineated on that certain map entitled "Stone Orchard, Stonehurst, Brooklyn Township, Alameda County, California, February, 1908," filed for record in the office of the county recorder of the county of Alameda, State of California, on the third day of March, 1908.

Dover Villas property, described as follows.

Lot twenty-one (21) in block one (1), lots nineteen (19) and twenty (20) in block two (2), lot fifteen (15) in block three (3), as said lots are delineated upon the map entitled "Map of Dover Villas," being a portion of lot No. 99 of the San Pablo Rancho, Contra Costa County, California, and which said map was filed for record in the office of the county recorder of Contra Costa County, California, on the fifteenth day of May, 1911.

Broadmoor property, described as follows.

Lot numbered eleven (11) in block numbered twenty (20), as said lot and block are delineated upon that certain map entitled, "Map of Broadmoor, Alameda County," filed January 30, 1908, in the office of the county recorder of Alameda County, California.

Newark property, described as follows.

Lots Nos. 20, 21, 22 and 23, in block 178, as delineated upon a certain map entitled "Map of the Town of Newark, Alameda County, California," surveyed by T. F. Wilson, C. E., 1876, and recorded in the office of the county recorder of the county of Alameda, State of California, on the sixth day of May, 1876.

Nevin avenue property, described as follows.

All of lot number twenty-five (25), of block number one (1). Also a strip of land ten (10) feet in width extending along the western line of lot number nine (9), in block number one (1), said strip of land being a portion of said lot number nine (9), in block number one (1), and extending along said western line of lot number nine (9), in block number one (1) from lot number twenty-five (25), in block number one (1), to Nevin avenue, as said lots and said block and said Nevin avenue are delineated, designated and so shown upon that certain map entitled "Nicholl Macdonald avenue Civic Center, Richmond, California," recorded in the office of the county recorder of said county of Contra Costa, State of California, on the twenty-ninth day of October, A. D. 1912.

Toler Heights property, described as follows.

Lots Nos. five (5), six (6) and seven (7) in block "M" as said lots and block are delineated upon that certain map entitled "Map of Toler Heights, Brooklyn Township, Alameda County, California, 1907, P. A. Haviland, County Surveyor," filed in the office of the county recorder of said Alameda County, September 30, 1907, in book 23 of Maps, page 34, subject, however, to a right of way for sewer and other public purposes through and under the "sewer reserve 5 feet wide" shown on the aforesaid map.

Also, that tract, piece, or parcel of land situate in Toler Heights, Brooklyn township, Alameda County, California, and more particularly described as follows, to wit: Beginning at a point on the southerly line of the "Path" between blocks T and U, north 62 degrees 21 minutes east 250.215 feet from the easterly line of William street and running thence north 62 degrees 21 minutes east 210.215 feet to a point on the "Circle" at the southerly end of Hillcrest avenue; thence following the line of said "Circle" southeasterly 57.7 feet; thence south 26 degrees 58 minutes east 64.96 feet; thence south 62 degrees 21 minutes west 259.51 feet; thence north 21 degrees 31 minutes west 100.57 feet to point of beginning, containing 0.565 acres, and being the easterly half of lot 1, block U, of Toler Heights, as said lot and block are delineated upon that certain map entitled "Map of Toler Heights, Brooklyn Township, Alameda County, California, 1907, P. A. Haviland, County Surveyor," filed in the office of the county recorder of said Alameda County, September 30, 1907,

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in book 23 of Maps, page 34, subject, however, to a right of way for sewer and other public purposes through and under the "sewer reserve 5 feet wide" shown on the aforesaid map.

Grandview Terrace property, described as follows.

All of lot number seven (7), of block number nineteen (19), as said lot and block are delineated upon that certain map entitled "Grand View Terrace, Richmond, California," recorded in the office of the county recorder of said county of Contra Costa, State of California, on the ninth day of April, A. D. 1912. Also all of lot lettered "A," of block number eleven (11); as said lot and said block are delineated upon that certain map entitled "Amended Map of a portion of Grand View Terrace, Richmond, California," recorded in the office of the county recorder of said county of Contra Costa, State of California, on the twenty-eighth day of December, A. D. 1912.

Roberts Landing property, described as follows.

Lots "F" and "G," as the said lots are delineated and designated upon that certain map entitled "Map of the Vegetable Lands belonging to the Estate of William Roberts, a bankrupt, Frank A. Leach, Trustee, Eden Township, Alameda County, California," and filed in the office of the county recorder of Alameda County, California, October 9, 1906.

Also the following described tract, located in Alameda County, California:

Beginning at the intersection of the north line of the county road No. 1007 leading from San Lorenzo to Roberts Landing and the westerly line of the right of way of the South Pacific Coast Railroad Company; thence south 72 degrees west nine (9) chains; thence north 36 degrees 15 minutes west eight and two-tenths (8.2) chains; thence north 72 degrees east nine (9) chains to the west line of the right of way of said South Pacific Coast Railroad Company; thence southeasterly along said line to place of beginning; containing seven (7) acres.

Also the following described tract, located in Alameda County, California:

Beginning at a point in the center of county road No. 1007 south 71 degrees 35 minutes west six hundred twenty-one and forty-five hundredths (621.45) feet from the intersection of the center line of said road No. 1007 with the westerly line of the Southern Pacific Railroad right of way, said point being on the northerly line of swamp and overflow land survey No. 120; thence following along the center line of said county road No. 1007 south 71 degrees 35 minutes west six hundred eighty-one and forty-five hundredths (681.45) feet; thence south 5 degrees 30 minutes east seven hundred twenty-eight (728) feet; thence south 73 degrees 45 minutes west four hundred thirty-seven and sixty hundredths (437.60) feet to the center line of Roberts Slough, otherwise known as San Lorenzo Creek; thence south zero degrees 58 minutes west four hundred nine and ninety-hundredths (409.90) feet to a point on the line between swamp and overflow land surveys Nos. 120 and 167; thence following along the line between said surveys Nos. 120 and 167 north 89 degrees 20 minutes east fourteen hundred five and fifty-five hundredths (1405.55) feet; thence north 15 degrees 25 minutes west fifteen hundred ten and ten hundredths (1510.10) feet to the point of beginning; containing thirty (30) acres, more or less, all of said land being in township three (3) south, range three (3) west, Mount Diablo base and meridian.

Also the following described tract, located in Alameda County, California:

Beginning at a stake in the center of Roberts Landing road, known as county road No. 1007, distant south 71 degrees 35 minutes, west 20.65 chains from westerly line of the South Pacific Coast Railroad right of way, and running thence south 5 degrees 30 minutes east 6.48 chains to a stake; thence south 73 degrees 45 minutes west 4.68 chains to a stake on the easterly bank of Roberts Slough; thence south 87 degrees 35 minutes west 50 links to a point in the center of said slough; then along the center of said slough south 1 degree west 4.77 chains to a point; thence north 73 degrees 45 minutes east 6.63 chains to a stake; thence north 5 degrees 30 minutes west 11.03 chains to a stake in the center of said county road No. 1007; thence along said center of road south 71 degrees 35 minutes west 91 links to the place of beginning, containing 3.403 acres.

Also the following described tract, located in Alameda County, California:

1. Beginning at a stake in the center of Roberts Landing road known as county road No. 1007, distant twenty and sixty-five hundredths (20.65) chains westerly measured in the center of said road from westerly line of the South Pacific Coast Railroad right of way, and running thence north 5 degrees 30 minutes west fifty (50) links to the northerly line of said county road No. 1007; thence along said northerly line of

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said county road No. 1007 and the continuation thereof westerly seven and eighty-five hundredths (7.85) chains to a stake; thence south five and ninety-four hundredths (5.94) chains to a stake; thence north 87 degrees 35 minutes east three and fifty-eight hundredths (3.58) chains to a stake on the easterly bank of a slough; thence north 73 degrees 45 minutes east four and sixty-eight hundredths (4.68) chains to a post; thence north 5 degrees 30 minutes west six and forty-eight hundredths (6.48) chains to the place of beginning; containing five and twenty-six hundredths (5.26) acres, being the property generally known as "Roberts Landing."

Also the following described tract, located in Alameda County, California:

Also that certain tract of land described as follows: Beginning at the northeast corner of swamp and overflow land survey No. 224 as conveyed by the State of California to William Roberts and Peter Anderson, the assignees of Caleb P. Wray, dated December 12, 1862, and recorded in book "A" of Patents, at folio 92, records of Alameda County; thence following along the north line of said swamp and overflow land survey No. 224, west three (3.00) chains; thence south five and fifty hundredths (5.50) chains; thence south 60 degrees 49 minutes east three and fifty hundredths (3.50) chains; thence south 40 degrees east six and thirty hundredths (6.30) chains; thence south 4 degrees 32 minutes east thirty-two and eighty-one hundredths (32.81) chains to a point on the northwesterly line of swamp and overflow land survey No. 89, as conveyed by the State of California to William Roberts, on June 17, 1870, and recorded in book "A" of Patents, at folio 489, records of Alameda County; thence north 88 degrees 51 minutes east seven and ninety hundredths (7.90) chains to a point on the east line of said swamp and overflow land survey No. 89; thence following along the east line of said swamp and overflow land survey No. 89, north 18 degrees west five (5.00) chains to the northwest corner of swamp and overflow land survey No. 167; thence following along the north line of said survey No. 167 north 89 degrees 20 minutes east one and forty hundredths (1.40) chains to a point in the center of Roberts Slough, also known as San Lorenzo Creek; thence along the center line of said slough north zero degrees 58 minutes east ten and ninety-eight hundredths (10.98) chains; thence south 87 degrees 35 minutes west three and eight hundredths (3.08) chains to the southwest corner of swamp and overflow land survey No. 224; thence following along the easterly and northerly boundary of said survey No. 224 north nineteen (19.00) chains; thence north 71 degrees west twelve and twenty-one hundredths (12.21) chains; thence north six (6.00) chains to the point of beginning; said piece of land containing thirty (30) acres, more or less, and being in township three (3) south, range three (3) west, Mount Diablo base and meridian.

Dutton Manor property, described as follows.

All of lot No. seventy-eight (78), block 304, as the same is delineated upon that certain map entitled "Map of Dutton Manor Addition, Alameda County, California," filed July 29, 1912, in the office of the recorder of Alameda County, California.

Coleman Pullman property, described as follows.

Lot No. 37, in block 12, as delineated on that certain map entitled "Map of Coleman Pullman Tract," filed in the office of the county recorder of the county of Contra Costa, State of California, on the sixth day of February, A. D. 1911.

Also all the buildings, wells, banks, pumps, motors, pipe lines, valves and other equipment located upon the above described property, and all transmission and distribution pipe, services, meters, valves, valve boxes, fittings, hydrants, general equipment, material and supplies, owned by The Union Water Company of California, on March 25, 1920, and more particularly described in Railroad Commission's Exhibit No. 1, filed November 3, 1920, at the hearing of Application No. 5503, entitled as follows:

"In the Matter of the Application of The Union Water Company of California and The Union Water Development Company to sell, and of East Bay Water Company to buy the whole of the plant and system of The Union Water Company of California."

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DECISION No. 8492.

IN THE MATTER OF THE APPLICATION OF SOUTH FEATHER LAND AND WATER COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN RATES AND CHARGES FOR WATER FURNISHED AND SERVICES RENDERED BY IT IN THE COUNTIES OF BUTTE AND YUBA.

Application No. 5283.

WYANDOTTE WATER USERS ASSOCIATION

vs.

SOUTH FEATHER LAND AND WATER COMPANY.

Case No. 1403.

Decided December 24, 1920.

IRRIGATION SERVICE—RATE OF RETURN—VALUE OF SERVICE, RATES CONTROLLED BY.—While it is held to be a fundamental fact that a utility in order to continue operation must receive an adequate income, it can not be expected that consumers of a utility such as applicant be required to pay rates which will provide a full return on the cost of such system, when charges sufficient to provide such return would have to be far in excess of the value of the service rendered and in excess of what consumers could afford to pay therefor.

IRRIGATION SERVICE—LIMITATION OF SUPPLY—ADDITIONAL SERVICES.—An irrigation utility which has a limited supply of water should not attempt to serve additional acreage to the detriment of existing consumers nor should its service be restricted when surplus water is available. Applicant directed to file for the approval of the Commission a form of agreement under which it will deliver water to additional acreage when surplus waters are available, provided, that such service should be considered only as temporary and subject to discontinuance should the available supply of water be sufficient only to care for present consumers.

C. F. Metteer, for South Feather Land and Water Company.
C. N. Hackett, for Wyandotte Water Users Association and Protestant.

BY THE COMMISSION.

OPINION.

South Feather Land and Water Company is an incorporated public utility water company supplying water for irrigation purposes to consumers in Butte and Yuba counties, in and in the vicinity of what are known as Wyandotte and Bangor areas.

In the above entitled application, this company prays for an order of the Railroad Commission authorizing an increase in rates, it being alleged, in effect, that the present rates are non-compensatory and have not, during the past five years, and do not now produce a sufficient income to meet the annual charges of the company for maintenance and operation, depreciation, nor any interest return upon its investment. Applicant asks that a rate schedule be established on a basis of $73 per miner's inch per annum, or such other schedule as is just and reasonable.

Rates for South Feather Land and Water Company were established by this Commission in its Decision No. 1635, dated June 30, 1914, in Case No. 558, *L. E. Cole et al.* vs. *South Feather Land and Water Company* (Vol. 4, p. 1392, Opinions and Orders of the Railroad Commission), and are at present in effect except as modified by opinion and

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order on rehearing in said proceeding, Decision No. 2118, dated June 30, 1915 (Vol. 6, p. 121, Opinions and Orders of the Railroad Commission).

The complaint herein in Case No. 1403, filed by the Wyandotte Water Users Association, alleges in effect that under the present physical condition and the present water supply of South Feather Land and Water Company's ditch system, there is not sufficient water in dry seasons to fully meet the requirements of present consumers, and that the company has been unable to make full and regular deliveries of water to consumers during certain portions of the irrigation seasons of 1918 and 1919. Wherefore, complainant asks that said company be restrained from supplying water to new and unirrigated lands, alleging that such action on the part of defendant would result in probable damage to the lands at present served.

Public hearings were held in the above entitled matters, and all parties interested were given an opportunity to appear and be heard. It was stipulated at the hearing that said matters be consolidated for hearing and decision, and it was further stipulated that all evidence and the record in Case No. 558 above referred to, be considered in evidence in this proceeding.

The evidence in this proceeding shows that the available water supply of applicant's system during the seasons of 1918, 1919 and 1920 was inadequate to supply the requirements of its consumers. During the past three years defendant company has been obliged to prorate deliveries to consumers during the low flow of the streams, and during the seasons of 1914 to 1917, inclusive, although full deliveries were made to consumers, the surplus of available water was small.

At the hearing it was stipulated by South Feather Land and Water Company that it would not accept applications or obligate itself to deliver water for irrigation of lands not heretofore irrigated from its system, unless an additional water supply be obtained. It appears from the record that this company has available for its use a dam site and reservoir basin which can be utilized and which will materially increase the available water supply.

It appears from the record in Case No. 558, *supra*, that this Commission, in establishing rates, considered not only the estimated cost of this system, but also its early history, the cost of the system to applicant, the value of the service rendered and other factors in order that the rate schedule established would be an equitable and reasonable one. The record shows that the system was constructed for delivering water to mines, and was operated for this purpose for many years. After the discontinuance of mining, the system was acquired by its present owners and utilized for delivering water for irrigation. Reference is made to Decisions Nos. 1635 and 2118 in Case No. 558, *supra*,

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for a detailed history and description of applicant's system. The record in that proceeding and in the present proceeding leads to the conclusion that it would have been uneconomical to have built this system for irrigation purposes only. The estimated cost of the system, with additions, betterments and retirements to date, is some $340,000. The area irrigated approximates 1900 acres. Furthermore, it is necessary for applicant to maintain some 40 miles of main ditch in order to deliver water to these irrigators. A rate schedule designed to produce interest upon the estimated cost of this system would be so high as to be prohibitory, being far higher than the present consumers could afford to pay. Indeed, applicant itself in requesting that this Commission establish a rate of $73 per miner's inch per year does not ask a rate which would yield to it interest upon this estimated cost. However, it appears that applicant can not increase its business without installing extensive improvements and obtaining an additional source of water supply.

As before stated herein, applicant has not a sufficient water supply available at present to serve an area greater than is now served by it. However, by constructing an impounding reservoir it will have a sufficient supply available to serve a materially larger area. It appears from the Commission's investigation of this system that by the addition of some improvements to the present transmission system applicant will be enabled to deliver this additional supply to its consumers without the expenditure of a very large sum of money. The evidence herein leads us to the conclusion that applicant's expenditure to date includes an expenditure in addition to that for the system as now utilized, which will be of value to applicant at such time in the future as a further water supply is developed.

The record shows that the cost of this system to applicant is between $80,000 and $85,000 and that the depreciation annuity computed by the sinking fund method on the estimated cost of the system, is the sum of $1,559.

The following tabulation shows the maintenance and operation expenses and the operating revenue for the past five years, these figures having been compiled from the annual reports made by this company to the Railroad Commission:

	1915	1916	1917	1918	1919
Operating revenue	$13,573 37	$13,342 18	$12,479 70	$10,852 51	$11,196 56
Expense	9,046 15	8,447 39	9,151 47	9,560 92	8,685 24
Difference	$4,527 22	$4,894 79	$3,328 23	$1,291 59	$2,511 32

The above differences represent for these respective years the amounts which were available for a depreciation fund and interest return. It is apparent that applicant is not receiving a sufficient income and that its rates should be increased.

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It is a fundamental fact that a utility in order to continue operation must receive an adequate income. However, it can not be expected that consumers of a utility such as this be compelled to provide an income sufficient to meet interest charges upon the cost of this system. Neither can the consumers expect efficient service from a utility which does not receive a revenue sufficient to meet operating expenses and to replace the system at such time as it becomes necessary. On the other hand, applicant's consumers have invested their moneys in bringing orchards into bearing and in developing their land largely at the instigation of applicant, and they should not be required to pay to applicant a sum greater than the service rendered to them is reasonably worth.

We have given very careful consideration to this difficult problem, and have established herein a rate schedule which in our opinion is fair to applicant and to its consumers. This rate schedule is designed to return to applicant a sum sufficient to equal operating expenses, replacement fund, and a certain interest return upon its actual investment.

Under the stipulation entered into by the South Feather Land and Water Company with complainants in Case No. 1403, that company binds itself to serve only the area to which it at present delivers water for irrigation. It appears that in some years it has available a surplus of water over and above that needed for these present consumers. It would be uneconomical to restrict the development of this district by prohibiting it from delivering water during these years of surplus to additional consumers. We are of the opinion that in order that this district may further develop, applicant should be permitted to deliver water to an additional area, provided some arrangement can be worked out whereby the present consumers will not be injured. In order to accomplish this end, it appears desirable to permit applicant to deliver water to an additional area under a special agreement which definitely provides that the service rendered is of a temporary nature and subject to discontinuance at any time if the needs of the present consumers require applicant's entire water supply. We suggest to applicant that it file a form of such agreement with this Commission for its approval.

In all respects other than outlined above, these temporary consumers can well be placed upon the same basis as the other consumers of this utility. Applicant should exercise extreme care, however, that it does not accept applications and attempt to serve too large an area of this character. If applicant could receive assurance that a sufficient additional area would use water, it could well afford to construct an impounding reservoir which would not only enable it to serve this increased area but would also better the service to the present consumers. If the land owners and those interested in the development of the district at present served by applicant will cooperate with applicant

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and will enter into agreements to purchase from applicant a largely increased quantity of water, this further development will become feasible.

ORDER.

Proceedings having been brought before the Railroad Commission as entitled above, said matters having been consolidated for hearing and decision, and the Commission being fully apprised in the premises:

It is hereby found as a fact, that the present rate schedule of the South Feather Land and Water Company, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable and that the rates herein established are just and reasonable rates to be charged by said company for water;

And basing its order upon the foregoing finding of fact, and the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that the South Feather Land and Water Company be and it is hereby authorized and directed to file with this Commission within twenty (20) days of the date of this order, and thereafter charge the following rates:

Irrigation.

For all water furnished, $60 per miner's inch per year of continuous flow, cumulative monthly and payable in two equal annual installments as provided for and specified in the rules and regulations of the company.

It is hereby further ordered, that South Feather Land and Water Company shall not accept applications or deliver water to lands other than served at present, nor shall it extend service to new consumers who desire to use water for the purpose of irrigating lands not heretofore irrigated from its system, except upon showing before this Commission that an adequate supply of water is available for this purpose; provided, however, that if in any year there is an apparent surplus water supply available over and above the needs of the present consumers, the South Feather Land and Water Company may by special agreement deliver this surplus water to any one making application therefor. Such special agreement shall provide that the rendering of this service is contingent upon a surplus being available, and that the service of water to the regular consumers will not be curtailed in any manner whatsoever because of it.

It is hereby further ordered, that the complaint in Case No. 1403 as entitled above, in all other respects than as provided in this order, be and it is hereby dismissed.

Dated at San Francisco, California, this twenty-fourth day of December, 1920.

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DECISION No. 8493.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO ELECTRIC RAILWAY COMPANY FOR PERMISSION TO SELL ITS POWER HOUSE AND PLANT TO THE SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY, AND FOR THE APPROVAL OF A CONTRACT TO PURCHASE POWER.

Application No. 6218.

IN THE MATTER OF THE APPLICATION OF THE UNITED LIGHT, FUEL AND POWER COMPANY TO SELL ITS STEAM HEATING SYSTEM TO THE SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY.

Application No. 6219.

IN THE MATTER OF THE APPLICATION OF THE SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND SELL FIVE HUNDRED THOUSAND DOLLARS FACE VALUE OF ITS FIRST MORTGAGE FIVE PER CENT GOLD BONDS AND SIX HUNDRED AND FOUR THOUSAND DOLLARS PAR VALUE OF ITS PREFERRED STOCK.

Application No. 6266.

Decided December 27, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Good cause appearing;

It is hereby ordered, that the provision of the order in Decision No. 8445, dated December 18, 1920, reading—

It is hereby ordered, that San Diego Electric Railway Company be and it is hereby authorized to sell and San Diego Consolidated Gas and Electric Company to purchase the power house and plant described in Exhibit "A" attached to the petition in Application No. 6218, said sale and purchase to be made pursuant to the terms of the agreements attached to the petition in said Application No. 6218 and marked Exhibits "B" and "C" respectively.

be, and it is hereby, amended so as to read—

It is hereby ordered, that San Diego Electric Railway Company be and is hereby authorized to sell and San Diego Consolidated Gas and Electric Company, or such affiliated or subsidiary corporation or trust company as it may designate, to purchase the power house and plant described in Exhibit "A" and attached to the petition in Application No. 6218, said sale and purchase to be made pursuant to the terms of the agreement attached to the petition in said Application No. 6218 and marked Exhibits "B" and "C" respectively.

It is hereby further ordered, that condition "1" of the order in Decision No. 8445, dated December 18, 1920, reading—

1. Of the stock herein authorized to be issued, $575,000, and of the bonds herein authorized to be issued $425,000, shall be issued at par and delivered to San Diego Electric Railway Company in full payment for the power house and plant which it is herein authorized to sell to San Diego Consolidated Gas and Electric Company, said San Diego Electric Railway Company is hereby permitted to take said stock in part payment for said power house and plant.

be, and it is hereby, amended so as to read—

1. Of the stock herein authorized to be issued, $575,000, and of the bonds herein authorized to be issued, $425,000, shall be issued at par and delivered to San Diego Electric Railway Company in full payment for the power house and plant

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which it is herein authorized to sell to San Diego Consolidated Gas and Electric Company, or to such affiliated or subsidiary corporation or trust company as it may designate, said San Diego Electric Railway Company is hereby permitted to take said stock in part payment for said power house and plant.

It is hereby further ordered, that condition "4" of the order in 8445, dated December 18, 1920, reading—

4. Within sixty days after their execution, San Diego Consolidated Gas and Electric Company shall file with the Commission verified copies of the instruments of conveyance under which it secures and holds title to the properties which it is herein authorized to purchase.

be, and it is hereby amended so as to read—

4. Within sixty days after execution, San Diego Consolidated Gas and Electric Company shall file with this Commission verified copies of the instruments of conveyance under which title to the properties herein authorized to be purchased is conveyed in accordance herewith.

Dated at San Francisco, California, this twenty-seventh day of December, 1920.

DECISION NO. 8494.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF TWO HUNDRED AND SIXTY-FOUR THOUSAND DOLLARS.

Application No. 6386.

Decided December 30, 1920.

Chickering and Gregory, by *Allen L. Chickering*, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Western States Gas and Electric Company asks permission to issue $264,000 face value of its first and refunding mortgage 5 per cent sinking fund gold bonds due June 1, 1941.

As of October 31, 1920, applicant reports $3,231,500 of common and $2,603,100 of preferred stock outstanding. Its funded debt, in the hands of the public, is reported at $6,996,500 and consists of $245,000 of American River Electric Company 5 per cent bonds due July 1, 1933; $4,197,500 of Western States Gas and Electric Company 5 per cent bonds due June 1, 1941; $990,000 of Western States Gas and Electric Company 6½ per cent notes due August 1, 1923, and $1,564,000 of Western States Gas and Electric Company 6 per cent notes due February 1, 1927. In addition, the company reports $1,398,000 of its bonds outstanding as collateral to secure the payment of the $990,000 of 6½ per cent notes.

Applicant reports in this application and in exhibits attached to the petition, that up to October 31, 1920, it has expended for plant extensions, additions and betterments the sum of $353,620.20, which expen-

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ditures remain uncapitalized. On account of these expenditures, applicant asks permission to issue $264,000 of its first and refunding 5 per cent bonds. The proceeds applicant intends to use to reimburse its treasury and pay indebtedness.

Mr. Samuel Kohn, vice president and general manager of Western States Gas and Electric Company, testified that on account of prevailing market conditions, the company could sell its bond at approximately 77 per cent plus accrued interest. Generally speaking, I do not look with favor upon selling bonds at so large a discount. In this particular instance, it appears from the record that the company does not intend to sell any additional bonds at so low a price and that it is giving consideration to the execution of a new mortgage under which it can issue and sell bonds at a higher price.

I herewith submit the following form of order:

ORDER.

Western States Gas and Electric Company having applied to the Railroad Commission for permission to issue $264,000 of bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of said bonds is reasonably required for the purpose or purposes specified herein and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Western States Gas and Electric Company be and it is hereby authorized to issue and sell at not less than 77 per cent of their face value plus accrued interest, on or before April 1, 1921, $264,000 of its first and refunding mortgage 5 per cent sinking fund gold bonds due June 1, 1941.

The authority herein granted is subject to further conditions as follows:

1. The proceeds obtained from the sale of the bonds herein authorized to be issued and sold shall be used by applicant to reimburse in part its treasury because of the expenditure for plant extensions, additions and betterments installed prior to October 31, 1920, and to pay indebtedness incurred for said purposes.

2. Western States Gas and Electric Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of December, 1920.

DECISION No. 8495.

IN THE MATTER OF THE APPLICATION OF FRUITVALE MUTUAL WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS AND STOCK.

Application No. 6395.

Decided December 30, 1920.

Applicant having been organized to take over and operate the water properties of the Citizens Water Company of San Jacinto, it is authorized to issue $400,000 par value of stock and $260,000 face value of bonds, of the stock, such shares as are necessary to be issued to consumers in exchange for water certificates now held by them, the balance to be sold only under supplemental orders of this Commission; $224,393.94 of the proceeds of bonds to be used in the purchase of the properties of Citizens Water Company and the balance of proceeds to be expended only under supplemental order.

Stuart O'Melveny, for Applicant.

BY THE COMMISSION.

OPINION.

Fruitvale Mutual Water Company asks permission to issue not exceeding $400,000 of stocks, $260,000 of first mortgage 7 per cent serial bonds and execute a mortgage to secure the payment of the bonds.

A public hearing was held on this application in San Francisco on December 22 before Examiner Gordon.

In Decision No. 8186, dated October 1, 1920, the Railroad Commission authorized Citizens Water Company of San Jacinto to sell its properties to the Fruitvale Mutual Water Company.

Fruitvale Mutual Water Company was organized as a mutual water company for the purpose of selling and distributing water to its stockholders only at cost and for the purpose of purchasing the water rights and distributing system of the Citizens Water Company of San Jacinto. At the time applicant was organized, it was expected that all consumers and water users of Citizens Water Company of San Jacinto would agree to surrender their certificates and rights to receive water from Citizens Water Company of San Jacinto and in lieu of such certificates and rights accept stock of the Fruitvale Mutual Water Company. At the time the petition in this application was filed all but two of the consumers and users of water of the Citizens Water Company of San Jacinto holding contracts had agreed to exchange their water certificates for stock in applicant corporation. The testimony shows that these two have since agreed to exchange their certificates

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for stock. The testimony further shows that all users of water who do not hold certificates have agreed to purchase stock of the Fruitvale Mutual Water Company so that applicant will, when it commences operations after acquiring the properties of Citizens Water Company of San Jacinto, sell water to stockholders only.

Applicant proposes to issue one share of its stock in exchange for each acre certificate issued by Citizens Water Company of San Jacinto and 1 and 2/5ths shares of its stock for each acre certificate issued by San Jacinto Valley Water Company, the predecessor of Citizens Water Company of San Jacinto. The water certificate contracts issued by the San Jacinto Valley Water Company convey and provide for the delivery to the holder thereof one-fifth of a miner's inch of water per acre certificate as therein described, while the water certificate contracts issued by the Citizens Water Company of San Jacinto convey and provide for the delivery to the holders thereof of one-seventh of a miner's inch of water per acre certificate as therein described. To other persons who have heretofore obtained irrigation water from the distribution system of the Citizens Water Company of San Jacinto and who do not own water certificates, it is proposed to issue a share of stock for the consideration of $50, and in addition to such cash payment require a waiver by such persons waiving any and all rights to the water and service of Citizens Water Company of San Jacinto, or from the supplies or distributing system now owned by said corporation, except such rights as may be acquired by reason of such persons being owners of stock in applicant corporation. It is estimated that approximately $352,900.00 of stock will be issued in exchange for water certificate contracts or issued to present consumers for a cash consideration. The remainder of the stock applicant asks permission to sell from time to time at such prices as may be determined by its board of directors. The Commission has not been furnished with sufficient information to warrant an order such as requested by applicant in regard to the sale of the remainder of its stock. The order herein will provide that any stock not issued in exchange for water certificate contracts, or issued and delivered to present consumers for a cash consideration, shall be sold only at such price, and the proceeds used for such purposes as the Commission may permit in a supplemental order in this proceeding.

To acquire the properties of Citizens Water Company of San Jacinto, applicant has found it necessary to create, issue and sell bonds. It has arranged for the sale of $260,000 of first mortgage 7 per cent serial bonds at 90½ plus accrued interest. Applicant reports that it will have to use $224,393.94 of the proceeds to pay for the property it intends to acquire from the Citizens Water Company of San Jacinto. The remainder of the proceeds it intends to use for the acquisition of

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property, construction, completion, extension and improvement of facilities. Inasmuch as the Commission has not been furnished with detailed information showing the purposes for which the remainder of the proceeds from the sale of the bonds will be expended, the order herein will provide that the remainder of the proceeds may be expended only for such purposes as the Commission may authorize in a supplemental order or orders.

Applicant has filed a copy of its proposed mortgage. The $260,000 of bonds which applicant intends to issue mature serially as follows:

$5,000 in 1922;
$7,000 in each of the years 1923 to 1926, inclusive;
$10,000 in each of the years 1927 to 1930, inclusive;
$12,000 in 1931;
$15,000 in each of the years 1932 to 1936; and
$20,000 in each of the years 1937 to 1941.

The mortgage is in satisfactory form.

It appears from the record that applicant is at this time only technically a public utility and that steps are being taken to change its status from that of a public utility to a mutual water company. To pay the cost of operation, including payment of interest and principal of bonds, applicant will levy assessments upon its stockholders. It is due solely to the manner in which it is intended to operate hereafter these properties that this application is granted. The authority to issue stocks and bonds can in no way be regarded as a determination of the value of either the tangible or intangible properties of applicant.

ORDER.

Fruitvale Mutual Water Company having applied for permission to issue bonds and stock and execute a mortgage, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured through the issue of bonds and stock herein authorized, is reasonably acquired by applicant, and that the expenditures of the proceeds obtained from the sale of the bonds are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Fruitvale Mutual Water Company be and it is hereby authorized to execute a mortgage substantially in the same form as the mortgage filed in this proceeding and marked Applicant's Exhibit "C"; provided, that the approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

It is hereby further ordered, that Fruitvale Mutual Water Company be and it is hereby authorized to issue $400,000 of stock and $260,000 of first mortgage 7 per cent serial bonds.

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The authority herein granted is subject to further conditions as follows:

1. Of the stock herein authorized to be issued, such an amount as may be necessary may be delivered to the consumers of the Citizens Water Company of San Jacinto referred to in this application in exchange for water certificates and for the cash consideration referred to in this application. The remainder of the stock shall be sold by applicant only after the Commission by supplemental order has fixed the price and specified the purposes for which the proceeds may be used.

2. The bonds herein authorized to be issued shall be sold by applicant for not less than 90½ per cent of their face value and accrued interest. Of the proceeds, $224,393.94 may be used by applicant to pay for the properties of Citizens Water Company of San Jacinto referred to in this application. The remainder of the proceeds shall be expended only for such purposes as the Commission may authorize in a supplemental order or orders.

3. Fruitvale Mutual Water Company shall keep such record of the issue and sale of the bonds and stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such bonds and stock as may be issued and sold on or before July 1, 1921.

Dated at San Francisco, California, this thirtieth day of December, 1920.

DECISION NO. 8496.

IN THE MATTER OF THE APPLICATION OF FIRST WAREHOUSE COMPANY, A CORPORATION, FOR PERMIT TO SELL AND ISSUE ITS CAPITAL STOCK.

Application No. 6346.
Decided January 3, 1921.

Flint and McKay, by *W. R. Flint*, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

First Warehouse Company asks permission to issue and sell $10,000 of common capital stock.

Applicant intends to sell at this time only $1,000 of the stock and the remainder from time to time as the growth of its business may demand.

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By its articles of incorporation applicant is authorized to transact a warehouse business and deal in warehouse receipts, certificates, warrants and circulars.

All of applicant's stock, except three shares necessary to qualify directors, will be acquired and held by First Securities Company, whose capital stock is owned by the stockholders of the First National Bank of Los Angeles.

Applicant, according to the testimony of its secretary, A. B. Jones, proposes to rent space in packing houses and other structures in different parts of the country, so that it can lock up goods and put a man in charge and issue warehouse receipts, which will be used as collateral of the First National Bank.

The goods in care of the warehouse will not be shipped except upon the order of the Warehouse Company and the payment of the loan secured thereby.

During the hearing on this application, the secretary's attention was called to some of the responsibilities of a public utility warehouse company, and that a public utility must serve all alike, as provided in the Public Utilities Act.

Applicant asks permission to use $249.50 of the proceeds from the sale of $1,000 of its stock to pay organization expenses and to use the remainder for working capital.

I herewith submit the following form of order:

ORDER.

First Warehouse Company, having applied to the Railroad Commission to issue $10,000 of stock and sell at this time $1,000 of said stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property and labor are reasonably required by applicant;

It is hereby ordered, that First Warehouse Company be and it is hereby authorized to issue $10,000 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold by applicant for cash at not less than par.

2. Of the proceeds realized from the sale of the stock, $1,000 may be used to pay organization expenses referred to in this application and for working capital necessary to establish applicant's business. The remainder of the proceeds shall be deposited in a special fund and expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders herein.

3. First Warehouse Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file. on or before the twenty-fifth day of

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each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock as may be issued and sold on or before November 1, 1921.

The foregoing opinion and order are hereby approved as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of January, 1921.

DECISION No. 8497.

IN THE MATTER OF THE APPLICATION OF ETCHEVERRY WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT TRES PINOS.

Application No. 6284.

Decided January 3, 1921.

James Slaven, for Applicant.

BY THE COMMISSION.

OPINION.

Etcheverry Warehouse Company applies for authority to increase rates for storage of grain and hay in its seven warehouse units at Tres Pinos, San Benito County, four for the storage of hay and three for grain.

A public hearing upon the application was held by Examiner Westover at Hollister.

Applicant's hay warehouses have a combined capacity of 6500 tons while 4000 tons of grain can be accommodated in the buildings devoted to grain storage. These warehouses were purchased by the present owners in 1911 at a cost of $37,000 and have a present estimated value of $33,500. Some fifteen acres of land are embraced in the tract on which the buildings are located, a part of which is rented from Southern Pacific Company at an annual rental of $336.55, the remainder having been purchased by applicant in 1911 for $3,000.

The following table shows the present rates, and rates which it is desired to establish for storing and handling hay and grain:

Grain.

	Present	Proposed
Storage:		
Thirty days or less, per ton	$0 50	*$0 75
Sixty days or less, per ton	75	*1 00
Season to June 1, per ton	1 00	*1 50
Loading:		
Through warehouse, per ton	35	50
Deliveries:		
In lots of less than 10 tons, per ton	--	50

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Hay.

Storage:		
First season to June 1, per ton	1 25	*1 50
Second season to June 1, per ton	1 00	*1 25

*Storage rates include loading, unloading, weighing and other customary handling of hay and grain.

In justification of increases sought applicant showed that unit costs have increased very materially since its present rates were established in November, 1917, in that warehouse labor obtainable in 1917 at $2.50 and $3 per day now costs from $4.50 to $5 per day. Incidental expenses, though small in proportion to the labor item, run from 75 per cent to 100 per cent higher than the level of three years ago. It is estimated by applicant that the proposed rates will in a normal year return approximately $2,000 additional revenue.

In addition to the business of storing hay and grain for compensation, applicant also buys and sells these products and others, including lumber. Annual reports on file with the Commission include all these branches of its business and are therefore practically useless in arriving at the company's financial status as a public warehouseman. The following statement of revenues and expenses for the four years, 1916 to 1919, shown as Exhibit "D" accompanying the application, represents the result of applicant's best efforts to segregate and present figures pertaining to its warehouse business alone:

	1916	1917	1918	1919	1920
Revenues	$7,541 48	$8,064 97	$7,958 63	$7,783 72	$7,783 72*
Expenses	5,195 58	5,509 51	6,368 04	6,913 28	8,932 56
Net	$2,345 90	$2,575 46	$1,590 59	$870 44	$1,148 84*

*Estimated revenue the same as 1919; shows a deficit of $1,148.84.

The return on the investment claimed is at the rate of 4¾ per cent and about 2½ per cent gain, and 3½ per cent deficit respectively during the last three years of abnormal costs. It will also be seen that while the income from storage has fluctuated but slightly from year to year, expenses have steadily increased from about $5,000 in 1916 to nearly $9,000 in 1920.

As already stated, the proposed rates for storing and handling hay and grain, if authorized, would produce an estimated additional revenue of $2,000, which would meet the increased labor expense for the current year of 50 cents per day for ten employees, or approximately $1,500 per annum, and allow a margin of $500 to apply as a depreciation fund on applicant's buildings which have been in service from twenty-five

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to thirty-five years. Such rates on grain would conform almost exactly to rates in effect by other utilities in the same general locality. Rates proposed for storing hay are likewise identical with charges assessed by Lathrop Hay Company for service at Hollister, which rates were authorized by this Commission in Decision No. 6284, dated April 24, 1919. A list showing the names of twelve of applicant's patrons representing more than 3000 tons of hay and grain now in storage was submitted with testimony that each of them had been interviewed by applicant, and had agreed that the increases proposed would be satisfactory.

Applicant's testimony was uncontroverted, and no protests were offered. We are of the opinion that the proposed increases have been justified and should be granted, with the understanding that applicant's accounts shall hereafter be kept in such manner that statements may at any time be rendered showing separately and in detail public utility operations, as distinguished from those of a nonpublic utility nature, including accurate proportions of such overhead or other expenses as may be applicable to both classes of business.

ORDER.

Etcheverry Warehouse Company, having applied to this Commission for authority to increase rates for storing and handling hay and grain at Tres Pinos, a hearing having been held thereon, the matter having been submitted, and it appearing to the Commission that the rates proposed are just and reasonable for the service involved;

It is hereby ordered, by the Railroad Commission of the State of California, that Etcheverry Warehouse Company be and it is hereby authorized to increase rates for storing and handling hay and grain at its warehouses at Tres Pinos on the following basis:

Grain.

Storage:	
Thirty days or less, per ton	*$0 75
Sixty days or less, per ton	*1 00
Season, June 1, per ton	*1 50
Loading:	
Through warehouse, per ton	50
Deliveries:	
Lots less than 10 tons, per ton	50

Hay.

Storage:	
First season to July 1, per ton	*1 50
Second season to July 1, per ton	*1 25

*Storage rates include loading, unloading, weighing and other handling.

Dated at San Francisco, California, this third day of January, 1921.

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DECISION No. 8498.

SOUTH SAN FRANCISCO CHAMBER OF COMMERCE

vs.

SOUTHERN PACIFIC COMPANY, A CORPORATION, THE ATCHISON TOPEKA AND SANTA FE RAILWAY COMPANY (COAST LINES), A CORPORATION, WESTERN PACIFIC RAILROAD COMPANY, A CORPORATION.

Case No. 1433.

Decided January 3, 1921.

Supplemental report amending the original order in the above entitled proceeding providing in part that the Southern Pacific Company shall submit to the Commission a tariff removing the discrimination and the undue and unreasonable prejudice found to result from the publishing, demanding and collecting of a higher rate for the transportation of freight in carloads between South San Francisco and San Francisco locally, or between South San Francisco and Southern Pacific Company's transfer tracks with the Belt Railroad at San Francisco, when incidental to water transportation beyond, than it contemporaneously publishes and collect for the transportation of like shipments between Elmhurst and Oakland Wharf.

BY THE COMMISSSION:

SUPPLEMENTAL REPORT OF THE COMMISSION.

In our former opinion and order in this case, No. 1433 Decision No. 8221, dated October 11, 1920, we considered the extent of the San Francisco switching limits and the charges assessed by defendants for moving carload traffic between San Francisco and South San Francisco locally, and between San Francisco and South San Francisco when in connection with the line-haul rates of the three defendants.

Complainants alleged that the charges were unjust, unreasonable and discriminatory and that South San Francisco should be included within the San Francisco switching limits.

With reference to the intrayard or local switching charges, we said:

> The computation of the switching costs in 1914 did not include traffic between San Francisco and South San Francisco, nor does it disclose the relative cost of switching between Elmhurst and Oakland Wharf against South San Francisco-San Francisco. Therefore, while of general interest as an index of switching costs in the different sections embraced within its scope, it is of little evidentiary value in the determination of the issues involved in this proceeding.
>
> * * * * * * *
>
> The record shows that transportation between San Francisco and South San Francisco is a switching service similar in character to that performed between Oakland Wharf and Elmhurst and while the evidence adduced does not warrant a finding that the 30-cent zone at San Francisco should be extended to include South San Francisco, or that the 60-cent rate between San Francisco and South San Francisco is of itself unreasonable, it does show conclusively that a discriminatory and prejudicial situation has been created by the maintenance of a 30-cent rate between Oakland Wharf and Elmhurst with concurrent charge of 60 cents between South San Francisco and San Francisco.
>
> * * * * * * *
>
> That the practice of the Southern Pacific Company in maintaining present rates on local carload traffic between South San Francisco and San Francisco and to the Southern Pacific Company's connection with the State Belt Railroad is unduly prejudicial to South San Francisco to the extent that the charge exceeds the charge made at San Francisco and at Oakland for performing a like service. The Southern

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Pacific Company will be required to submit to the Commission on or before December 10, 1920, in conformity with the terms of the Public Utilities Act and the established rules of this Commission, a tariff removing the discrimination.

In the order the carriers were instructed to include South San Francisco within the San Francisco switching limits in connection with line haul traffic and also to arrange for the absorption of the switching charge between San Francisco and South San Francisco when incidental to a line haul with connecting carriers at competitive points.

As a compliance with the order the Southern Pacific Company amended its Tariff GFD Circular 199-D, C. R. C. No. 2123, and its Tariff No. 730-A, C. R. C. No. 3436, which had the effect of making all of the San Francisco intrastate line haul rates apply to South San Francisco. This manner of complying with the order was not in conformity with proper tariff publication and instructions were at once issued to the Southern Pacific Company to amend Item 2950 in Terminal Tariff 230-H, C. R. C. No. 2477 and include South San Francisco within the switching limits of San Francisco. Corrections to the Terminal Tariff were received by the Commission December 18 and became effective December 20, 1920. This publication in the Terminal Tariff, however, had no effect upon the charges assessed subsequent to December 10, 1920, for the reason that the changes made in Tariffs 199-D and 730-A brought about the same results.

Under date December 2, 1920, the Southern Pacific Company, as a compliance with the opinion and order to remove the discrimination in the intrayard switching charges at San Francisco-South San Francisco, as compared with the service performed at San Francisco, Oakland and Los Angeles, presented a petition proposing certain adjustments, which the carrier claimed would straighten out the situation, and remove the complaints. The petition, if granted, would disturb the switching zones at present existing and, therefore the petition was ordered set for formal hearings—at Los Angeles Thursday, December 30, 1920 and at San Francisco Monday, January 26, 1921.

In a supplemental complaint filed by the South San Francisco Chamber of Commerce December 14, 1920, it is alleged that the Southern Pacific Company has failed to comply with the Commission's decision and order in Case No. 1433.

In rendering its decision, on October 11, 1920, the Commission gave careful and detailed consideration to the entire evidence and all of the exhibits, and in the opinion outlined the adjustments justified by the complainants. A careful reading of the opinion and order, which must be considered together, clearly defines the changes to be made.

The Southern Pacific Company, as heretofore stated, was instructed to remove the prejudice and disadvantage found to exist in the switch-

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ing adjustment against South San Francisco in connection with line-haul traffic, and also to present to the Commission on or before December 10, 1920, a tariff removing the discrimination found to exist against the intrayard switching.

We are of the opinion that the defendant, Southern Pacific Company, by the changes made in its Tariff 199-D, C. R. C. No. 2123; 730-A, C. R. C. No. 2436 and Terminal Tariff No. 230-H, C. R. C. No. 2477, met the Commission's requirements involving line-haul traffic and when it filed with the Commission December 2, 1920, an application under sections 15 and 63 of the Public Utilities Act proposing an adjustment removing the discrimination in the intrayard switching rates it met the opinion and order in that situation.

The further hearings to be held at Los Angeles on Thursday, December 30, 1920, and at San Francisco on Monday, January 26, 1921, are for the purpose of taking testimony in support of the proposed tariff for removal of the discrimination in the charges assessed for the handling of local intrayard switching between San Francisco and South San Francisco as compared with the service between Oakland Wharf and Elmhurst, especially as to the reasonableness of the proposed rates.

An error was made in Decision No. 8221, October 11, 1920, in that part of our order carried in the first paragraph at the top of page 18 of the typewritten decision, by which the carrier was notified to cease and desist on or before December 10, 1920, and thereafter to abstain from continuing the discrimination in connection with local intrayard switching movements between San Francisco and South San Francisco. The order should have instructed the Southern Pacific Company to present a tariff removing the discrimination and the order will be corrected, as hereinafter set forth.

The supplemental complaint of the South San Francisco Chamber of Commerce is hereby dismissed.

ORDER.

This case, coming up for further consideration, and the Commission having made a supplemental report containing its conclusions thereon, which report is referred to and made a part hereof;

It is hereby ordered, that the second paragraph contained in the order in Decision No. 8221, Case No. 1433, of October 11, 1920, be amended to read as follows:

It is hereby ordered, that the Southern Pacific Company be and it is hereby notified and required to submit to the Commission on or before December 10, 1920, in conformity with the terms of the Public Utilities Act and the established rules of this Commission, a tariff removing the discrimination and the undue and unreasonable prejudice and

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disadvantage found in the preceding opinion to result from the publishing, demanding and collecting of a higher rate for the transportation of freight in carloads between South San Francisco and San Francisco locally, or between South San Francisco and Southern Pacific Company's transfer track with the Belt Railroad at San Francisco, when incidental to water transportation beyond, than it contemporaneously publishes, demands and collects for the transportation of like shipments between Elmhurst and Oakland wharf.

Dated at San Francisco, California, this third day of January, 1921.

DECISION No. 8499.

IN THE MATTER OF THE APPLICATION OF THE WESTERN PACIFIC RAILROAD COMPANY FOR AN ORDER AUTHORIZING THE ABANDONMENT OF THAT PORTION OF ITS LINE OF RAILROAD LYING BETWEEN MOY AND CARNEGIE, CALIFORNIA.

Application No. 5322.

Decided January 3, 1921.

TRACKAGE—ABANDONMENT OF.—Upon a showing by applicant that there is an extremely limited amount of traffic originating on or destined to stations located on its line of railroad between Moy and Carnegie, which it proposes to abandon, and no advice with reference to prospective tonnage having been received from protestants in accordance with a stipulation entered into at the hearing, applicant granted permission to abandon service and remove its tracks on the Tesla branch between Moy and Carnegie.

Stephen F. Otis, for Applicant.

F. G. Cartwright, for the Beckman-Linden Engineering Corporation, Protestant.

BY THE COMMISSION.

OPINION.

Applicant in the above entitled proceeding has petitioned the Railroad Commission for an order authorizing the abandonment of that portion of its line of railroad lying between Moy and Carnegie on its Tesla branch alleging that the public no longer requires the continued maintenance and operation of the portion of railroad proposed to be abandoned and that it is the desire of applicant to remove the rails and other materials and employ them elsewhere on other portions of the operative properties of applicant.

A public hearing on this application was conducted by Examiner Handford at San Francisco, the matter was duly submitted on stipulation by attorneys for applicant and protestant, and is now ready for decision.

Applicant alleges, as justification for the granting of this application, that the industries located on the portion of line proposed to be abandoned are nonoperative; the coal mine formerly existing at Tesla having been abandoned and the machinery serving same having been scrapped

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and removed; that brick and pottery manufacturing plants formerly existing at Carnegie and Walden have been dismantled and the machinery scrapped and removed; that occasional shipments of manganese ore were shipped from the station of Manganese prior to the early part of the year 1919 but that no such shipments have been offered for movement for approximately one year; that the manganese plant at the station of Manganese has been dismantled and the machinery and equipment removed and shipped away; that there is now no industry in operation at any point on the Tesla branch beyond the station of Moy and there is no traffic, either present or prospective, to be transported to or from any station beyond the station of Moy.

A witness for applicant testified that the portion of line proposed to be abandoned was 4.43 miles in length and that to place the line in safe operative condition would require an expenditure of approximately $22,572; the principal expenditure necessary being for the installation of new ties, surfacing of track, ditching of cuts, repairs to bridges and culverts. The portion of line proposed to be abandoned is subject to washouts during the winter rains. The maintenance of track and bridges has required an expenditure of approximately $11,800 for the period from January 1, 1916, to August 1, 1920.

Mr. Theodore Hunter, assistant general freight agent for applicant, testified as to the freight traffic handled over the portion of line proposed to be abandoned and offered a statement as an exhibit which indicates that during the calendar year 1919 a total of 740 tons moved outbound from stations located on the portion of branch proposed to be abandoned resulting in a gross revenue of $1,935.70. During the period January to July, 1920, inclusive, a total of thirty-six tons were moved with a gross revenue of $115.72.

The granting of this application is opposed by the Beckman-Linden Engineering Corporation. A witness for such protestant testified that the Beckman-Linden Engineering Corporation had purchased the property of the Tesla coal mines; the deposit of coal existing in such mines being in excess of 20,000,000 tons and that the coal originating in such mines could not be shipped or stored because of the fact that it deteriorated by slacking and was too high in volatility. Efforts were being made by protestants to establish at the Tesla mines a plant for the manufacture of pulverized fuel, such method taking the run of the mine and crushing it to a powder sufficiently fine to pass through a two hundred mesh screen and shipping the product in tank cars, it then being fed into boilers in the same manner as fuel oil, it being claimed that the combustion value was higher than fuel oil and the thermal record nearly six per cent greater. The cost of this pulverized fuel is estimated to be of but one-half to two-thirds that of fuel oil and a number of inquiries had been received from large consumers of fuel oil for

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prices and prospective contracts for the pulverized fuel proposed to be manufactured by this protestant. It was also testified that there was a demand for clay to the extent of four cars per day as soon as protestant was able to make deliveries and that a certain strata of sand particularly adapted for the manufacture of glass had been found in the Tesla mines and that contracts had been offered for a minimum of 25,000 tons per year but that such contracts could not be closed until tunnels in the mines had been reestablished, the sand lying beyond the coal vein.

In view of the very substantial tonnage apparently ready for movement, after certain plans for financing on the part of protestant had been arranged, and the comparatively small salvage expense accruing to applicant by reason of the proposed abandonment and removal of the portion of the branch line, there being but $15,634 salvage involved, an effort was made by the Commission to defer decision in this matter until applicant and protestant could confer and protestant could complete its negotiations for financing their project. A stipulation was accordingly entered into by both applicant and protestant to the effect that the Commission be requested to delay its decision until November 1, 1920, and that in the meantime satisfactory proof should be furnished to the Commission that traffic sufficient to justify the continued maintenance and operation of the track proposed to be abandoned would be furnished by the protestants. No advice having been received by the Commission in accordance with the stipulation filed September 11, 1920, this application should be considered on its merits and in view of the extremely limited amount of traffic originating on or destined to the stations located on the portion of track herein proposed to be abandoned, we are of the opinion and find as a fact that the continued maintenance and operation of the branch line of the applicant lying between Moy and Carnegie is not justified or required by the public and that the application should be granted.

ORDER.

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted on stipulation of applicant and protestants, the Commission being fully advised, and basing its order on the finding of fact as appearing in the foregoing opinion;

It is hereby ordered, that this application be and the same hereby is granted.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of January, 1921.

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DECISION NO. 8500.

CITY OF ALAMEDA

vs.

SOUTHERN PACIFIC COMPANY

Case No. 1440.

Decided January 3, 1921.

LOCAL AND SUBURBAN RAILWAY SERVICE—SHELTER STATIONS AT STOPS.—A suburban service of one hundred forty-one trains daily to and from San Francisco and a street car service of one hundred sixty-five street car trips to and from Oakland at regular and frequent intervals is held not to necessitate or require the erection and maintenance of a shelter station, as passengers desiring to board trains are not required to spend any considerable period of time awaiting arrival of cars. Petition of city of Alameda to compel defendant company to erect a shelter station at its flag stop located on Fernside boulevard at High street dismissed.

W. J. Locke, for Complainant.

Henley C. Booth, for Defendant.

BY THE COMMISSION.

OPINION.

In this proceeding the city of Alameda, a municipal corporation, alleges that request has been made for the erection and maintenance by Southern Pacific Company of a shelter shed at the flag stop of said company located on Fernside boulevard at High street in the city of Alameda; that defendant has refused to comply with such request and complainant therefore requests an order requiring the erection and maintenance of a shelter station.

Defendant filed its answer alleging in effect that no station facilities were required as requested by complainant.

A public hearing on this proceeding was conducted by Examiner Handford at Alameda, the matter was duly submitted, and is now ready for decision.

Witnesses for complainant testified as to the location of the flag stop known as North High street and that the request for the establishment of a shelter station originated by reason of complaint having been made to the city council of the city of Alameda. The proposed shelter station would serve both residential and industrial districts, an industrial plant of the Pacific Pipe and Tank Company, American Can Company and other industries being located in the immediate vicinity and some forty to fifty employees of such industries used the flag stop. Witnesses for complainant observed people waiting to board Southern Pacific trains and it is alleged that in rainy weather during the winter months a need exists for the establishment of a shelter station at this point.

A check or traffic count covering conditions at this station was made on September 2, 1920, under the direction of the city engineer of the

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city of Alameda and covering traffic between 6:15 a.m. and 7 p.m. such check resulting in the following figures:

Westbound boarding San Francisco trains	62
Westbound boarding Oakland trains	10
Westbound leaving San Francisco trains	9
Westbound leaving Oakland	16
Eastbound boarding San Francisco trains	69
Eastbound boarding Oakland trains	29
Eastbound leaving San Francisco trains	100
Eastbound leaving Oakland trains	21

The greatest number of passengers boarding trains at any one time during the period of the check was at 5:25 p.m., boarding Oakland train eastbound; next greatest number was twenty-one passengers boarding San Francisco train eastbound at 5:29 p.m. The next greatest number was at 5:32 boarding San Francisco train westbound. A larger number of passengers were discharged by San Francisco trains but the use of shelter station facilities are not required by passengers leaving suburban trains.

Defendant, Southern Pacific Company, through its witnesses, objects to the establishment of a shelter station at this point alleging that the flag stop is served by one hundred forty-one trains daily to and from San Francisco and also by one hundred sixty-five street car trips to and from Oakland and that scheduled arriving and departing time of trains is regular and that service is given at frequent intervals, both trains and street cars being practically on time unless their operation is occasionally interfered with by street congestion.

A check of passengers using the facilities of the Southern Pacific Company and covering a period March 24, to March 27, 1920, inclusive, filed as an exhibit in this proceeding shows the following data:

	Eastbound		Westbound	
	On	Off	On	Off
Suburban trains	336	527	246	84
Street cars	23	41	109	68
Total	359	568	355	152
Daily averages	89.75	142	88.75	38

Defendant objects to the establishment of a shelter station at the desired location for the reason that it has no property adjacent to the flag stop and estimates that an expenditure of $2,000 would be required for the purchase of sufficient land upon which to erect such station, to which must be added an amount of $70 for grading, $410 for a building and $25 for the installation of lighting facilities, a total of $2,505. Further objection is made regarding the difficulty experienced by the Southern Pacific Company in maintaining shelter

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stations in a sanitary and proper condition, such stations, according to the experience of witnesses, being frequently misused by the public, defaced by writing on the walls and seats and requiring considerable attention to keep same in proper condition for the use of the public by frequent painting and repairs.

After careful consideration of all the evidence in this proceeding, it appears that the establishment of a shelter station at the point requested by complainant is not justified, the service accorded by defendant, Southern Pacific Company, being a combination of suburban service to and from San Francisco and street car service to and from Oakland. Both services are operated at frequent and regular intervals and passengers can depend upon the arrival and departure of trains at the time scheduled and the regularity of service maintained by both the street car service and the electric interurban service of the Southern Pacific Company renders unnecessary any considerable waiting by the patrons of such company and, in view of such fact, we do not find that the request for the establishment of a shelter station at the flag stop, known as North High street on the Alameda suburban lines of the Southern Pacific Company is justified by the evidence in this proceeding.

ORDER.

City of Alameda, a municipal corporation, having filed complaint requesting that the Southern Pacific Company be required to establish and maintain a shelter station at its flag stop, known as North High street in the city of Alameda, a public hearing having been held, the matter having been duly submitted, and the Commission being fully advised and basing its order on the finding of fact as set forth in the preceding opinion;

It is hereby ordered, that this complaint be and the same hereby is dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the State of California.

Dated at San Francisco, California, this third day of January, 1921.

DECISION No. 8506.

IN THE MATTER OF THE APPLICATION OF UNION TRACTION COMPANY, A CORPORATION, FOR AN ORDER INCREASING ITS PASSENGER FARES IN THE CITY OF SANTA CRUZ AND ON ITS SUBURBAN LINE TO CAPITOLA, COUNTY OF SANTA CRUZ.

Application No. 6341.

Decided January 3, 1921.

Upon a showing by applicant that its present rates do not provide sufficient revenue to cover operating expenses, taxes and depreciation, not including interest upon its bonded indebtedness, and an investigation showing that the system is being

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operated in the most economical manner possible, it is granted permission to increase rates through the reduction in number of tickets sold for fifty cents from eight to six.

S. Waldo Coleman, for Applicant.
Geo. W. Smith, for City of Santa Cruz.
G. Stevenson, for Tax Payers.
Mrs. W. Robinson, for Tax Payers.
W. Collins, for Tax Payers.

BY THE COMMISSION.

OPINION.

This is an application by the Union Traction Company filed November 27, 1920, under section 63 of the Public Utilities Act for authority to reduce the number of rides furnished for fifty cents from eight to six and to continue in effect the ten cents cash fare.

A hearing was held before Examiner Geary at Santa Cruz, December 21, 1920, and the case is now ready for an opinion and order.

The applicant operates some fifteen miles of track in the city of Santa Cruz and between Santa Cruz and Capitola. Of this trackage 11.52 miles is mainline, 2.28 is second track, and 1.16 represents yards and sidings.

This is the third time applicant has appeared for a readjustment of its passenger fares. By Decision No. 5660 in Application No. 3805, August 10, 1918, authority was given to increase the cash fare from 5 cents to 6 cents within the different zones, and to establish a ten ride commutation book for $1 between Santa Cruz and Capitola. By Decision No. 7667 in Application No. 5637, June 8, 1920, authority was given to increase the cash fare from 6 cents to 10 cents and to sell coupon books containing eight rides for 50 cents, making the cost to the book users 6¼ cents per ride. The present application seeks authority to reduce the number of rides in these 50 cents books from eight to six, making the cost per ride 8⅓ cents.

In this proceeding applicant is not endeavoring, nor has it any hope of securing a return upon the investment and, therefore, the actual value of the property devoted to the public service is not of importance in this proceeding.

However, to illustrate the financial situation, the following language is repeated from our Decision No. 5660, *supra*:

> Applicant has outstanding first mortgage bonds, interest 5 per cent, amounting to $631,000. It has never paid a dividend to stockholders nor has it paid interest on its bonds since August 1, 1915. The balance sheet of December 31, 1917, shows accrued inteerst unpaid amounting to $76,245.86 and accounts payable amounting to $12,859.27.

By a statement filed in this proceeding, the present claimed value of the property was shown to be $567,585.86. The annual report for the year ending December 31, 1919, carries a total current liability of $152,252.11, consisting of wages payable $46.98, accounts payable $12,-

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859.27; matured bond interest unpaid $126,199.99 and also other accrued interest rents payable $13,145.87.

The testimony and evidence presented relates almost entirely to the income statement for the year 1920. An exhibit shows that the total gross revenue using actual figures for the first eleven months and estimated for the month of December, 1920, was $86,348.68, while the operating expenses including depreciation and taxes were $90,645.62, leaving a loss from operations of $4,296.94. The bond interest for the year 1920 unpaid amounted to $31,550 making an actual loss of $35,-846.94. Attention is directed to the fact that the expenses for the year 1920, include an item of $15,000 for depreciation, which amount this Commission considered proper, and ordered set aside annually in its Decision No. 7677 of June 8, 1920. The earnings, however, under the rates now in effect have made impossible the actual carrying out of this part of our order. It may here be said that from the knowledge this Commission has of the affairs of the company, derived from previous careful examinations and from reports filed, that the company has been and is now most efficiently and honestly managed. Operating expenses have been reduced to a minimum by the use of one-man cars wherever possible, the equipment, cars and tracks are well maintained and further reductions in operating expenses appear impossible without seriously impairing the standard of the service now being rendered. The prices of materials and labor have greatly advanced during recent years. As an illustration, platform men, who in 1917 were receiving 26, 27 and 28 cents per hour, dependent upon the length of service are now receiving 46, 48 and 50 cents per hour based upon the number of years with the company. The general expenses including power, maintenance of equipment, ways and structures have also greatly advanced.

By referring to the annual reports and comparing the year 1916 with 1920, it is shown that the gross revenue has increased from $64,017.95 to $86,548.68, or a total of $22,530.73. During the same period the expenses increased from $48,579.14 to $75,645.62, or by $27,066.48, a net operating revenue decrease of $4,535.75. These operating expenses do not include any depreciation and, of course, there is no allowance in this item for interest on bonds.

The present fares, single trip, 10 cents, and books of 8 tickets for 50 cents, became effective June 28, 1920, and therefore were only employed during six months of the year 1920. Another exhibit shows that had the present fares been in effect during the full period of twelve months, there would still have been a net loss including the bond interest and depreciation of $33,315.06. Using the proposed increase in rates, 6 tickets for 50 cents, and basing upon the number of passengers carried during the year 1920, it is estimated that the year 1921

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will still show a loss of $17,892. It is doubtful, however, if an increase in the unit fares will result in an increased revenue equal to the percentage increase in the fare for the reason that high fares have a tendency to check the volume of traffic, although resulting in a somewhat larger gross revenue.

In the year 1919, 1,178,729 regular fare passengers were carried, while in the year 1920 the number was 1,272,300. The city of Santa Cruz caters to a very large tourist travel in the summer months, especially during June, July, August and September. During the balance of the year the travel is light. As illustrative of this situation in the month of January, 1920, 68,498 passengers were handled, as compared with 210,258 in the month of July, and 185,673 during the month of August.

The city is contemplating certain street improvements in the districts served by this applicant and within the near future the company will be called upon to furnish $7,000 as its proportion of the street work. The General Manager of the company, however, stated that there were no funds available and he did not know where the money could be secured.

At the hearing some objections were entered by certain citizens against the increases in fares, another group of patrons had no objections to urge, the majority frankly declaring that it would be a calamity to the city of Santa Cruz and the outlying districts if the company were forced to discontinue or curtail its service by reason of lack of adequate revenue. The city attorney while calling attention to some unsatisfactory service at points along the line, had no objection to the increases in fares and stated that in his judgment the application should be granted.

That the petitioner is entitled to, and must have, additional revenue is abundantly shown by the fact that during the year 1920 its operating expenses, taxes and depreciation exceeded the total revenue by $4,296.94. We have given careful consideration to the return secured in the past and to the extent to which the earnings may be increased as a result of the increased fares sought, and while the moderate advance to be made in the fares may solve the problem and retain to the community the transportation service which it needs in order to continue to grow and prosper, it is difficult to escape the conclusion, in the face of the competition by automobiles, mostly vehicles operated for private family use, that the limited number of riders now patronizing a street car system of this kind cannot be expected to pay rates sufficiently high to carry the entire burden.

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ORDER.

The Union Traction Company having applied to the Commission to increase its passenger fares, a public hearing having been held, and the Railroad Commission being fully advised in the premises:

It is hereby found as a fact that the existing rates are unjust, unreasonable and insufficient and that the rates herein established are found to be just and reasonable.

Basing this order on the findings of fact which precede;

It is hereby ordered, that the Union Traction Company be and the same is hereby authorized to establish within twenty (20) days from the date of this order a rate of fifty cents (50c) for coupon books containing six (6) rides, coupon books to be on sale with all conductors, to be transferable and good for passage any time within sixty (60) days from the date of sale.

Dated at San Francisco, California, this third day of January, 1921.

DECISION NO. 8511.

IN THE MATTER OF THE APPLICATION OF GOLDEN GATE FERRY COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO ISSUE ITS CAPITAL STOCK AND FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

Application No. 6316.

Decided January 3, 1921.

WATER CARRIERS—CERTIFICATES PUBLIC CONVENIENCE AND NECESSITY, NOT REQUIRED BY.—The Public Utilities Act does not require that ferry companies secure a certificate from this Commission before beginning operation, in connection with which the Commission calls attention to fact that it cannot protect investors against future competition any more than it can protect the existing ferry company against the proposed competition of applicant herein and that the investors' only protection is the rendering of a first-class service.

STOCK ISSUES—SALE OF BY OFFICERS OF COMPANY—COMMISSIONS ON.—In authorizing the issuance of securities by a newly organized corporation it is expected that such stock will be sold by the applicant at the least possible expense as the Commission does not look with favor upon officials of the corporation making a profit through the sale of the companies securities, nor is it willing that 17½ per cent of the proceeds be expended for commissions and organization expenses unless an affirmative showing is made that such expense is absolutely necessary. The mere fact that the sale of stock is authorized at 85 does not in itself warrant the payment of 15 per cent commissions.

STOCK SALES—PROMISSORY NOTES—ACCEPTANCE IN PART PAYMENT FOR.—The Railroad Commission refuses to permit applicant herein to accept promissory notes covering deferred payments on stock subscriptions, nor to deliver any stock until it has been fully paid up. If the subscriber is unable to make full cash payment, the subscription agreement will show the balance due and there is no necessity to make him give a note for the balance.

Applicant authorized to issue and sell at not less than par, $1,000,000 of its common capital stock, provided, that 17½ per cent of the proceeds thereof may be used, if necessary, for bona fide and reasonable organization and incorporation expenses and brokerage fees, the balance thereof to be deposited and expended only as directed under supplemental orders.

D. D. Sales, for Applicant.

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LOVELAND, *Commissioner.*

OPINION.

Golden Gate Ferry Company asks permission to issue $1,000,000 of common stock to enable it to establish an automobile ferry service between San Francisco and Sausalito, Marin County.

Applicant corporation was organized in November, 1920, with an authorized stock issue of $1,000,000 divided into 10,000 shares of $100 each. It proposes to engage in the business of operating a line of ferry boats between the city of Sausalito, Marin County, and the city and county of San Francisco. The San Francisco terminal will be at the foot of Laguna street; the Sausalito terminal about 1100 feet south of the present Northwestern Pacific terminal. The distance between the terminals is reported to be a fraction over four and one-quarter miles.

W. H. Kearney has assigned to applicant options to purchase and lease terminal properties in San Francisco. A stock purchaser should be familiar with these leases and the obligations they impose on the company.

There is filed in this proceeding and marked as Exhibit "F" an offer by Sausalito Land and Ferry Company in which the company is willing to lease lots 59, 60, 61, 62, 63, 64, 65, 67 and 68 in block "B," section map C, Sausalito water front, at a monthly rental of $225 per month, subject to increase at the expiration of five-year intervals.

W. H. Kearney has assigned to applicant a lease, Exhibit "B," between himself and Kearney Investment Company, wherein he has agreed to pay a monthly rental of $1,250 or an annual rental of $15,000 for the following properties:

Parcel one. Commencing at the point of intersection of the easterly line of Laguna street extending northerly with the southerly line of Lewis street, and running thence westerly along the southerly line of Lewis street one hundred seventy-one (171) feet three (3) inches, thence at right angles southerly three hundred nine (309) feet four and one-half (4½) inches; thence at right angles easterly one hundred seventy-one (171) feet three (3) inches, and thence at right angles northerly three hundred nine (309) feet four and one-half inches to the point of commencement.

Parcel two. On the south by Sage street, now Lewis street, on the east by West Seventh street, now Laguna street, on the north by Purdy street, and on the west by West Eighth street, now Buchanan street; block 326, as numbered on aforesaid map.

Parcel three. On the south by Purdy street, on the east by West Seventh street, now Laguna street, on the north by Alcatraz street, and on the west by West Eighth street, now Buchanan street; block 327, as numbered on aforesaid map.

Parcel four. On the south by Alcatraz street, on the east by West Seventh street, now Laguna street, on the north by Lobos street and on the west by West Eighth street, now Buchanan street; block 328, as numbered on aforesaid map.

The purchase price of the properties has been fixed at $250,000. All of the land is submerged; one block being outside and the other inside the bulkhead line.

W. H. Kearney has also assigned to applicant a lease and purchase agreement, Exhibit "C," between himself and George E. Bates, wherein

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he agrees to pay a monthly rental of $400 or an annual rental of $4,800 for the following property:

Commencing at a point formed by the intersection of the northerly line of Jefferson street with the center line of Laguna street (produced northerly) and running thence westerly along the said line of Jefferson street 223 feet 5¼ inches; thence at a right angle northerly 618 feet 9 inches to the southerly line of Lewis street; thence easterly along said line of Lewis street 223 feet 5¼ inches to the center line of Laguna street (produced northerly), and thence southerly along said center line of Laguna street produced 618 feet 9 inches to the point of commencement; being part of Western Addition blocks Nos. 252 and 253, and the westerly one-half of Laguna street produced northerly;

The purchase price of this property is fixed at $80,000.

W. H. Kearney has also assigned to applicant a lease and option to purchase, Exhibit "D", between himself and Sierra and San Francisco Power Company wherein he has agreed to pay a monthly rental of $200 or an annual rental of $2,400 for the easterly one-half of Western Addition block No. 435, formerly known as Western Addition block No. 251. At any time during the term of the lease W. H. Kearney or his assigns have the right to purchase all of the right, title and interest of the Sierra and San Francisco Power Company in the properties at a cost of $40,000.

The annual rental for the two terminal properties is reported at $24,900. The company has an option to purchase the San Francisco terminal properties at a cost of $370,000. The purchase of these properties is in no way involved in this application.

In Exhibit "I," prepared by H. J. Brunnier, designing and consulting structural engineer, the cost of ferry slips, dredging, aprons and appurtenances is placed at $141,000. His estimate is made up of the following items:

Ferry slips, aprons and appurtenances for both sides of the bay	$116,000 00
Two office buildings, one on each side of the bay	5,000 00
Two scales, one on each side of the bay	5,000 00
Dredging	15,000 00
Total	$141,000 00

H. J. Brunnier is of the opinion that on account of the San Francisco landing being in a protected cove, the ferry slip need not be more than 150 feet long. On the Sausalito side he suggests the construction of a 200 foot slip. All of the work is to be in accordance with the best modern engineering practice.

According to the record, applicant intends to acquire or construct a boat or boats that will have a sufficient speed to make the trip in 18 minutes. In its petition, applicant reports that it intends to construct or acquire two wooden hull side wheel automobile ferry boats, each having a carrying capacity of eighty automobiles of standard size, the estimated cost of which is reported at $650,000. The testimony in this proceeding shows that applicant's management has not approved any

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particular type of boat. David W. Dickie, marine engineer and naval architect, a witness called by applicant, advises the construction of a vessel about 195 feet between propellers, which would be about 205 feet long, equipped with Diesel electric drive. Such a boat in his opinion will have a carrying capacity of 90 automobiles.

Applicant has agreed to file with the Commission for approval, as soon as prepared, its completed plans and specifications for its boat or boats.

The estimated cost of ferry slips and appurtenances, particularly the estimated cost of the boats, is subject to change and revision. The final estimated cost should be submitted to the Commission as soon as completed.

Applicant estimates its operating expenses at $262,500 per annum. The expenses are obviously dependent to a large extent upon the nature of the boats which applicant will put in operation and upon other conditions not definitely known at this time.

Applicant in its prospectus attached to this petition, estimates its operating revenues during the first year of its operation at $476,382. This estimate is based upon assumptions which, in my opinion, are unwarranted. Applicant reports that during 1918 86,739 automobiles and trucks and 215,618 automobile passengers were carried between San Francisco and Marin County. In 1919, the number of automobiles and trucks carried are reported at 128,345 and the number of automobile passengers at 307,000, representing an increase of 45 per cent over 1918. For 1920, it is estimated that the traffic will increase 40 per cent over 1919 and that during 1921 the increase will amount to 30 per cent over 1920. In 1920, the number of automobiles and trucks is estimated at 176,000 and the number of automobile passengers at 430,000, while for 1921, the number of automobiles and trucks carried is estimated at 228,000 and the number of automobile passengers at 559,000. Applicant not only assumes an almost continuous increase in traffic, but that it will secure all the automobile and truck traffic between San Francisco and Marin County. There is no ground for such assumption, for there is nothing in the record to show that the Northwestern Pacific intends to withdraw from service its automobile boats. To what extent applicant can attract traffic away from the Northwestern Pacific depends largely upon the class of service applicant will install and maintain.

Applicant asks the Commission for a certificate declaring that public convenience and necessity require the exercise of the right or privilege to establish and maintain its proposed service between the foot of Laguna street, San Francisco, and Sausalito, a distance of about 4½ miles. Under the Public Utilities Act, ferry companies can begin operation without first having secured such an order from this Commission. That portion of the application will therefore be dismissed.

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In this connection, attention should be called to the fact that the Commission cannot protect the investors in this ferry company against future competition, no more than it now can protect the Northwestern Pacific against the competition of applicant corporation. A first-class service is the investor's only protection. It appears from the evidence that some time ago other parties contemplated the establishment of a ferry service across the Golden Gate. The operation of a ferry across the Golden Gate requires the consent of the War Department, for the reason that both terminals, one in the vicinity of Fort Point, the other in the vicinity of Lime Point, would be within military reservations. While applicant's president testified that permits to operate across the Golden Gate could not be secured, no records indicating a refusal to grant the necessary permits were introduced.

Applicant asks permission to sell its stock on a basis to net the company $85 per share. It further asks permission to use 2½ per cent of the proceeds to pay expenses of incorporation, organization and fees of engineers and attorneys. Applicant has not entered into an agreement for the sale of its stock and intends to sell its stock by popular subscription. The stock is not being underwritten but the sale thereof will be directly under the management of applicant's officers. It is expected that the stock will be sold by applicant at the least possible expense and I certainly do not look with favor upon the officers of the corporation making any profit through the sale of the corporation's securities. They should receive a reasonable compensation for their services rendered and such compensation should not be dependent upon their success of selling securities.

Applicant has expressed a willingness to print on each stock subscription the fact that 15 per cent of the amount paid by subscribers must be used to pay commission and 2½ per cent to pay expenses of incorporation and organization, engineering and attorney fees. This Commission is interested in seeing the service proposed by applicant established, but it is not willing that 17½ per cent of the proceeds be expended for commissions and various fees, unless there is an affirmative showing made that such payment is necessary. The interest of the Commission, as does that of applicant, extends not only to the sale of applicant's stock but also to the establishment of the ferry service contemplated. The fact that the Commission may authorize the sale of stock at $85 per share net to the company does not warrant the payment of a 15 per cent commission.

Applicant intends to sell its stock for cash when possible. When cash sales can not be made, applicant plans to sell its stock upon the following terms: Twenty-five per cent cash, twenty-five per cent within ninety days of sale and fifty per cent within six months from date of sale. All deferred payments are to be evidenced by negotiable promissory notes.

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The Commission will not permit the company to accept notes for the balance due on stock subscriptions. No stock shall be delivered until fully paid. If the subscriber is unable to make full cash payment, the subscription agreement will show the balance due and there is no necessity to make him give a note for the balance due.

Any prospectus which may be issued by applicant, as well as the stock subscription agreements, shall recite that the order of the Railroad Commission authorizing the issue of the stock is permissive only and does not constitute a recommendation or endorsement by the Railroad Commission of said stock.

No proceeds from the sale of stock, except amounts necessary to pay bona fide and reasonable organization expenses, attorney and engineering fees and commissions, shall be expended, except as hereafter authorized. The amount expended for payment of organization expenses, attorney and engineering fees and commissions shall represent the actual bona fide expenses for these purposes and in no event be in excess of 17½ per cent on the par value of stock sold. All other proceeds shall be deposited in a special fund in some bank or banks and expended only for such purposes as the Railroad Commission may hereafter authorize.

I herewith submit the following form of order:

ORDER.

Golden Gate Ferry Company having applied to the Railroad Commission for permission to issue $1,000,000 of stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor is reasonably required for the purposes indicated in the foregoing opinion and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Golden Gate Ferry Company be and it is hereby authorized to issue $1,000,000 par value of its common capital stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold by applicant, for cash, at not less than par. No stock or stock certificates shall be issued or delivered until fully paid in cash by the subscriber therefor.

2. Of the proceeds from the sale of stock herein authorized, 17½ per cent, if necessary, may be used to pay bona fide and reasonable organization and incorporation expenses, attorney fees, engineering fees and brokerage fees. The remainder of the proceeds and such portion of the 17½ per cent not necessary for the purposes mentioned, shall be

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deposited in a bank or banks and expended only for such purposes as the Railroad Commission may hereafter authorize.

3. Applicant shall file with the Commission the name and postoffice address of each stock subscriber, with the amount of stock subscribed and payments made by each subscriber.

4. Applicant shall file with the Commission a copy of its prospectus, a copy of its stock subscription agreement and a copy of each and every agreement under the terms of which an individual or individuals are employed to act as agents or salesmen for applicant in selling the stock herein authorized.

5. On each stock subscription agreement and in any prospectus issued and distributed by applicant, shall appear this language:

> While the Railroad Commission has authorized the issue and sale of this stock, its order is permissive only and does not constitute a recommendation or endorsement of the stock.

6. Prior to the asking of bids from contractors, or the beginning of construction, applicant shall file with the Commission its final plans and specifications of its proposed ferry boats, slips, terminals and appurtenances.

7. Golden Gate Ferry Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

8. The authority herein granted will apply only to such stock as may be issued, sold or delivered on or before September 30, 1921.

It is hereby further ordered, that this application, in so far as it relates to a certificate of public convenience and necessity, be dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of January, 1921.

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DECISION No. 8514.

IN THE MATTER OF THE APPLICATION OF JAMES A. MURRAY, WM. G. HENSHAW AND ED FLETCHER, COPARTNERS DOING BUSINESS UNDER THE NAME AND STYLE OF THE CUYAMACA WATER COMPANY, FOR AN ORDER AUTHORIZING AND PERMITTING AN INCREASE IN THE RENTALS, TOLLS AND CHARGES FOR WATER FURNISHED BY THEM AND SERVICE RENDERED BY THEM IN FURNISHING WATER IN THE COUNTY OF SAN DIEGO.

Application No. 4515.

ROBERT ROSS ET AL.
vs.
JAMES A. MURRAY ET AL.

Case No. 1272.

Decided January 4, 1921.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

It appearing by the terms of the order heretofore made herein on September 24, 1920, Decision No. 8145, that the rates therein prescribed were made effective for all bills rendered by the Cuyamaca Water Company subsequent to September 1, 1920, and it having been brought to the attention of the Commission that certain interested parties are in doubt concerning the effective date of said order and believe that the terms of said order are uncertain as to the effective date thereof, and that by reason of such uncertainty said parties, who filed an application for rehearing herein on October 8, 1920, may be precluded from pursuing their right to petition for a writ of review as provided by the Public Utilities Act; and it being the desire of the Commission to remove such doubt and uncertainty in order that all rights for rehearing and judicial review may be fully protected; now, therefore,

Due notice and opportunity to be heard having been given to James A. Murray, Wm. G. Henshaw and Ed Fletcher, doing business under the name and style of the Cuyamaca Water Company, the utility affected thereby, and they having stipulated that said order be modified as hereinafter provided;

It is hereby ordered, that the order heretofore made herein on September 24, 1920, Decision No. 8145, be amended by striking out the date, "September 1, 1920," and substituting therefor the date, October 15, 1920, as the time subsequent to which all bills rendered by the Cuyamaca Water Company shall make effective the schedule of rates prescribed in said order of September 24, 1920. In all other respects the said order of September 24, 1920, shall remain unchanged.

Dated at San Francisco, California, this fourth day of January, 1921.

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DECISION No. 8516.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR AN ORDER AUTHORIZING THE ISSUANCE AND SALE OF PREFERRED CAPITAL STOCK IN THE AMOUNT OF ONE MILLION DOLLARS PAR VALUE.

Application No. 6450.

Decided January 5, 1921.

Paul Overton, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Los Angeles Gas and Electric Corporation asks permission to issue and sell at not less than $85 per share 10,000 shares ($1,000,000) of its 6 per cent preferred stock.

Applicant has an authorized stock issue of $30,000,000, divided into $10,000,000 of preferred and $20,000,000 of common. None of the preferred stock has been issued. Of the common stock $10,000,000 is outstanding. Applicant's articles of incorporation provide that the holders of the preferred stock shall receive when and as declared out of the surplus profits arising from the business of the corporation a cumulative dividend at the rate of not exceeding 6 per cent per annum upon the par value of the stock, which dividend shall run from the respective dates of the original issue of the preferred stock, and shall be paid, or set apart, before any dividend shall be set apart or paid on the common stock. In the event of any dissolution or winding up, in any manner, of the corporation, the holders of the preferred capital stock shall be entitled to be paid: first, out of the surplus profits arising from the business of the corporation, the amount of unpaid cumulative dividends, if any; and second, out of any assets of the corporation the full par value of the stock. After such payments to the holders of the preferred capital stock, all of the remaining assets shall be divided and paid equally to the holders of the common capital stock in proportion to the number of shares held by each.

In Exhibit "B", attached to the petition, applicant reports that during 1921 it will be called upon to expend for additions and extensions to plants, properties and equipment the sum of $5,183,470. The estimated expenditures are summarized as follows:

Gas Works	$2,132,105
Electric Works	577,900
Gas Distributing System	1,632,775
Electric Distributing System	356,625
Miscellaneous	484,065
Total	$5,183,470

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C. A. Luckenbach, third vice president of the Los Angeles Gas and Electric Corporation, testified that while the management had not approved all of the proposed expenditures set forth in Exhibit "B", he felt certain that the company during 1921 will have to expend for the purposes indicated approximately $5,183,470. This expenditure, he testified, is made necessary as a result of the growth of the City of Los Angeles and the territory served; by the fact that the natural gas supply available to the company is inadequate to meet the demands, and the necessity for building up a reserve capacity, both gas and electric, to meet peak conditions.

Applicant at this time asks permission to issue and sell $1,000,000 of its 6 per cent preferred stock. It intends at a later date to file an application or applications to issue additional stock as it proceeds with its construction work. It is the intention of applicant to offer the stock to its employees and to the public at $85 per share and to sell such stock either for cash or on installment plans, as set forth in its Exhibit 1.

I herewith submit the following form of order:

ORDER.

Los Angeles Gas and Electric Corporation having applied to the Railroad Commission for permission to issue $1,000,000 of its 6 per cent cumulative preferred stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Los Angeles Gas and Electric Corporation be and it is hereby authorized to issue 10,000 shares ($1,000,000) of its 6 per cent cumulative preferred stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold, for cash, at not less than $85 per share and the proceeds used to pay in part for additions and extensions to plants, properties and equipment referred to as Exhibit "B", attached to the petition in this application.

2. Los Angeles Gas and Electric Corporation shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will apply only to such stock as may be issued on or before December 31, 1921.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of January, 1921.

DECISION No. 8517.

PACIFIC RICE GROWERS' ASSOCIATION

vs.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, CHOWCHILLA PACIFIC RAILWAY COMPANY, LOS ANGELES AND SALT LAKE RAILROAD COMPANY, NORTHWESTERN PACIFIC RAILROAD COMPANY, SIERRA RAILWAY COMPANY OF CALIFORNIA, SACRAMENTO NORTHERN RAILROAD COMPANY, SOUTHERN PACIFIC COMPANY, TONOPAH AND TIDEWATER RAILROAD COMPANY, WESTERN PACIFIC RAILROAD COMPANY, CENTRAL CALIFORNIA TRACTION COMPANY, OAKLAND AND ANTIOCH RAILWAY, TIDEWATER SOUTHERN RAILWAY COMPANY, CALIFORNIA NAVIGATION AND IMPROVEMENT COMPANY, CALIFORNIA TRANSPORTATION COMPANY, FARMERS TRANSPORTATION COMPANY, ISLAND TRANSPORTATION COMPANY, LAURITZEN TRANSPORTATION COMPANY, AND SACRAMENTO TRANSPORTATION COMPANY.

Case No. 1432.

ROSENBERG BROTHERS AND COMPANY, A CORPORATION, GROWERS RICE MILLING COMPANY, A CORPORATION, GLOBE GRAIN AND MILLING COMPANY, A CORPORATION, NATIONAL RICE MILLS, A CORPORATION, ORIENTAL TRADING CORPORATION, A CORPORATION, PACIFIC TRADING COMPANY, A CORPORATION, D. C. JACKLING, J. F. JUDGE, AND A. J. McLEAN, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF PACIFIC RICE MILLS, C. E. GROSJEAN, DOING BUSINESS AS C. E. GROSJEAN RICE MILLING COMPANY, M. J. BRANDENSTEIN, MANFRED BRANSTEN AND EDWARD BRANSTEN, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF M. BRANDENSTEIN AND COMPANY, J. G. McNAMARA AND C. T. McNAMARA, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF NATOMA MILLING COMPANY, S. M. PHILLIPS, M. D. GREEN AND M. PHILLIPS, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STLYE OF M. PHILLIPS AND COMPANY, R. KANIKOWA, O. HIROWA, R. TAPAKE, F. J. MORIGAF AND K. POGASAKI, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF UNION RICE MILLS, K. IWAKAMI AND K. SAWADA, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF IWAKAMI AND COMPANY.

vs.

SOUTHERN PACIFIC COMPANY, A CORPORATION, THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, A CORPORATION, WESTERN PACIFIC RAILROAD COMPANY, A CORPORATION, SAN FRANCISCO-SACRAMENTO RAILROAD COMPANY, A CORPORATION, SACRAMENTO NORTHERN RAILROAD COMPANY, A CORPORATION, AND CENTRAL CALIFORNIA TRACTION COMPANY, A CORPORATION.

Case No. 1437.

Decided January 6, 1921.

RAILROAD RATES—RICE—REASONABLENESS OF.—In a proceeding to determine the reasonableness of a particular rate it is well established that distance is always a factor taken into consideration in determining either the reasonableness of a rate by itself or its relation to rates to other points, though consideration must

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also be given to the fact that distance alone is not controlling, as competition and other conditions must be considered.

RAILROAD RATES—ESTABLISHMENT ON MILEAGE BASIS.—It is held to be impractical to establish a mileage scale of rates for rice between producing and milling points due to widely divergent transportation lines, both rail and water, moving such commodity over more or less circuitous routes. Such a mileage scale of rates could not be constructed that would be reasonable and nondiscriminatory and that portion of the complaint should be dismissed.

MILLING-IN-TRANSIT PRIVILEGES—RICE SHIPMENTS.—It is held that complainants have failed to submit any evidence that carriers have shown discrimination or prejudice in failing to accord milling-in-transit privileges to rice shippers. Milling-in-transit of commodities is a special arrangement which may be established by carriers the same as they may undertake to accept subnormal rates to meet water competition, and the Commission would hesitate to establish the practice unless it were proven that the milling in transit was necessary to remove a discrimination existing between different shippers of the same commodity.

It is held that the value of rice is in excess of that of grain and that rice is not entitled to the same rates which are accorded grains; that the existing rates on paddy rice, carloads, between points within the State of California are unjust and unreasonable to the extent that they exceed rates based on 125 per cent of the rates established August 26, 1920, applying to whole grain such as wheat, oats, etc., and carriers defendant are directed to amend tariffs accordingly on or before January 20, 1921.

John S. Burchmore, for Pacific Rice Growers Association, Complainant.

Aitken, Glensor, Clowe and Van Dine, by *H. W. Glensor* and *Melvin E. Van Dine*; and *Bishop and Bahler*, Traffic Managers, for Rosenberg Brothers and Company, Complainants.

Elmer Westlake and *Frank B. Austin*, for Southern Pacific Company, Defendant.

G. H. Baker, for Atchison, Topeka and Santa Fe Railway Company, Defendant.

Heller, Powers and Ehrman and *Charles R. Detrick*, for Sacramento Northern Railroad.

Jesse H. Steinhart and *J. J. Goldberg*, for San Francisco-Sacramento Railroad.

Sanborn and Rochl, by *H. H. Sanborn*, for Sacramento Transportation Company, Farmers Transportation Company and California Transportation Company, Interveners.

Theodore Harte, for Western Pacific Railroad Company.

LOVELAND, *Commissioner*.

OPINION.

The above entitled cases were consolidated for hearing and decision.

In Case No. 1432, Pacific Rice Growers' Association made a complaint that the Atchison, Topeka and Santa Fe Railway Company et al. accord analogous commodities rates substantially lower than are accorded rice to and from the same points within the State of California and that defendants accord to grain advantages, such as milling, cleaning, storing and bulking, or otherwise treating in transit privileges, which are denied to rice and rice products.

Complainants further allege that the present rates on rice and rice products are in and of themselves unjust, unreasonable and discriminatory and unduly prejudicial to the rice growers and producers of California and that said growers and producers have been seriously injured and will continue to be seriously affected until the cause for such injuries is removed.

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Complainants conclude with a request that this Commission establish a reasonable mileage scale of rates on paddy rice and rice products and also demand transit privileges on these commodities, such as milling, cleaning, storing and bulking or otherwise treating in transit from producing points to consuming points in California, such mileage rates to act as maximum in the future for the transportation of paddy rice and rice products between points within the State of California.

In case No. 1437 Rosenberg Brothers and Company et al. make complaint against Southern Pacific Company et al. alleging that said defendants maintain carload rates on grain within the State of California relatively lower than on paddy rice and that they, the complainants, have been and continue to be seriously injured by these unjust, unreasonable and discriminatory rates.

Public hearings having been held on August 9 and 10 and September 2, 3 and 4, 1920, and final briefs having been received November 29, 1920, these cases are now ready for decision.

Complainant in Case No. 1432, Pacific Rice Growers' Association, is a cooperative, nonprofit association, being conducted for the protection and welfare generally of its members. The membership of the association represents about three-fourths of the acreage devoted to rice in the state.

Complainants in Case No. 1437 are rice millers, operating mills, the testimony showed, at San Francisco, Sacramento, Woodland, Gridley, Colusa, Biggs and Chico.

The rice growing territory in the State of California may be described generally as the Sacramento Valley, beginning at a point a short distance north and west of Sacramento and extending as far north as Gerber, a small section near Redding and also in the San Joaquin Valley in the vicinity of Dos Palos, Madera, San Joaquin and Famoso.

In 1918 there were planted to rice 145,000 acres; in 1919, 155,000, and in 1920, 175,000 acres.

The commodity in question in this proceeding is that of paddy rice, which is whole rice in hull as it is sold by the grower to the miller. The average production per acre of rice is approximately 3000 pounds and in 1919 there were produced in California 3,500,000 bags of paddy rice, approximately 100 pounds per bag. Rice is harvested during a period, roughly speaking, of eight weeks, beginning generally in October. The marketing season runs about five months, beginning in October. Rice is generally purchased from the growers by the millers either f. o. b. at point of origin, or f. o. b. at milling point. The price paid to the grower depends in some degree upon the freight rates applicable from the producing territory to the mill. In most

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instances the miller pays the freight. Where rice is purchased f. o. b. milling point, freight is deducted from the purchase price. The evidence showed that 85 per cent of the rice grown in the State of California is shipped outside the state and but 15 per cent is consumed locally. (Trans. 308.)

In 1915-1916 the value of rice was shown to be from $1.50 to $1.75 per 100 pounds. According to the testimony, rice in 1919 started in somewhere about $5.25 to $5.50 in the early operations and then worked up to a legitimate price of about $7 or $7.25 and under subsequent excitement it ran as high as $8. However, this witness testified that the highest price he paid was $7.65. (Trans. 294.)

Complainants in Case No. 1432 allege that the rates in effect on rice and rice products are *per se* unreasonable, discriminatory and unduly prejudicial and request the Commission to establish a reasonable mileage scale.

It is well established that distance is always a factor taken into consideration in determining either the reasonableness of a rate by itself or its relation to rates to other points, but it is equally well settled that distance alone is not controlling. Competition is also an important element and there are various other conditions, all of which must be taken into account in determining whether a particular rate or a system of rates is, as a matter of law, reasonable and not discriminatory. In the entire territory where rice is grown, grain also is grown in abundance and these areas lie on either side of the Sacramento River, which is navigable the entire length of the rice-growing territory and keen competition prevails between rail and water transportation at points where rail and water meet and at points conveniently near both rail and water stations.

Inasmuch as the routes between producing points and some of the further distant milling points are served by widely divergent transportation lines, both rail and water, over more or less circuitous routes, shows clearly the impracticability of applying a mileage scale. Some routes are reasonably direct, while others are circuitous and, therefore, points only a few miles apart in the heart of such territory, one point located on one line and another located on a different line would, by applying a mileage scale, create widely different rates to the same milling centers. A mileage scale would also result in a general conflict with the long and short haul provision of the Constitution. There was no testimony given in support of a mileage scale of rates.

The Commission is of the opinion that a mileage scale of rates could not be constructed that would be reasonable and nondiscriminatory and, therefore, this part of the complaint is dismissed.

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Complainants in Case No. 1432 are also seeking milling-in-transit privileges for rice on the claim that there is a discrimination by reason of the fact that milling-in-transit is permitted in connection with grain at certain points within the State of California. The evidence, however, is destitute of any showing of discrimination or prejudice as between the mills manufacturing the flour and the mills where rice is cleaned. It was not shown that there was any similarity of the conditions which induced carriers to accord milling-in-transit to grain as compared with the conditions prevailing in the marketing of rice. The testimony showed that during the period of the war, with the lines operated under unified control, the Administration ordered carriers to establish milling-in-transit on grain, apparently more as a war measure than as an adjustment of a transportation situation.

Complainants offered considerable testimony regarding milling-in-transit in Louisiana and Texas and referred to the cases adjudicated by the Interstate Commerce Commission, but the cases referred to were those in which the carriers had voluntarily established milling-in-transit privileges and had subsequently cancelled these privileges, whereupon the rice growers complained and, after a hearing, the Interstate Commerce Commission ordered the carriers to restore the privileges they had previously voluntarily accorded.

Milling-in-transit of commodities is a special arrangement which may be established by the carriers just the same as they may undertake to accept subnormal rates to meet water competition, and this Commission would hesitate to establish the practice unless it were proven that the milling in transit was necessary in order to remove a discrimination existing between different shippers of the same commodity. As heretofore stated, 85 per cent of the rice grown in California moves to points outside of the state. There is now no milling-in-transit privileges accorded rice at any point in California and, therefore, there is no discrimination as between the rice mills in this state. The claim that there is direct and active competition between rice and its products and grain and its products is not substantiated by the testimony or the exhibits. The rice millers in California, especially those at tidewater, are opposed to the transit privileges being granted, on the grounds that they would disturb the commercial relationship now existing and impair the value of the mill property.

I am of the opinion that no justification or necessity has been shown for the milling in transit of rice moving locally within California, nor would any benefit be derived from the practice, and this part of Case No. 1432 will be dismissed.

The complainants in Case No. 1437, who are rice millers, alleged that the rates on paddy rice are unjust, unreasonable and discrimi-

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natory insofar as they exceed the rates contemporaneously in effect on grain.

Let us analyze the rates on grain applicable within the State of California and which are used as the basis for comparison in this case.

The testimony showed that the original grain rates in California were established more than forty years ago and many of the present rates (without considering the general increase in rates brought about by Director General of Railroad's General Order No. 28 and the increase authorized by this Commission's Decision No. 7983) were still in effect in defendants' tariffs when the increases authorized in General Order No. 28 and our Decision No. 7983 were applied.

Prior to the construction of the railroads, the Sacramento River and its tributaries were covered with innumerable water craft, conducting the only systematic transportation service for freight then in existence. The historical facts brought out in the testimony are, briefly, as follows:

The first railroad constructed in the Sacramento Valley was the Central Pacific, which operated a short distance out of Roseville in June, 1869, reaching Chico in July, 1870, and Red Bluff in December, 1871. On the west side of the Sacramento River a rail line was constructed north from Woodland, reaching Williams in July, 1876. A line north of Orland commenced operations in July, 1882; the same year this line was completed to Tehama, where it connected with the rail line on the east side of the Sacramento River. Prior to the establishment of these rail lines the population of the Sacramento Valley depended entirely on river transportation. When the railroad lines entered this territory it was the occasion for the commencement of a rate war between rail carriers on the one hand and the water carriers on the other unprecedented in the history of western transportation. The effect of these rate wars is still reflected in the present day freight rates. Water carriers, in order to gain an advantage, subsidized lines of teams operating out of Chico and Red Bluff which hauled freight between river points and mountain towns as far east as Susanville and as far north as Lake View and Silver Lake, Oregon.

The principal commodity grown in the territory thus served was grain.

The rail carriers purchased steamers and entered into competition with the established water carriers and the established water carriers undertook to build railroads. Both the rail and water carriers established warehouses. During these pioneer activities, the testimony shows, "everybody got a rebate," hence there was no further use for high rates in their tariffs, so the rebates were discontinued and the

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freight rates reduced accordingly. In the early 80's the rate on grain from Chico to Port Costa and San Francisco was $6 a ton. This was gradually decreased during the rate wars until it reached $2.50 a ton. The rate from Colusa to Port Costa and San Francisco, also Sacramento by one of the water carriers decreased from $3.50 a ton to the low level of $1.50 a ton. It was also shown that in 1893 or 1894 competition became so pronounced and the rail carriers having made arrangements to have the grain hauled to the rail lines, it was necessary for the water carriers to adopt the plan of purchasing the grain outright in order to secure any business.

In the early 90's grain sold from $1 to $1.10 per hundred pounds; in 1896 and 1897 the price of wheat was as low as 60 cents per hundred pounds; so low, in fact, that the farmers along the river considered it not worth shipping. Thus it was the contention of the defendants that the grain rates then in effect and which were the basis for the present grain rates, were abnormally low and on account of the present rail and water competition it has been impossible to adjust these grain rates upward to a reasonable basis.

The subject of the reasonableness of the grain rates is not a question now before the Commission, therefore their reasonableness is not passed upon in this proceeding.

In considering rate structures and rate relationships existing today the Commission can neither condemn nor justify such rates on the basis of their origin or upon the traffic conditions prevailing in the past.

The Commission frequently inquires into the origin and history of rate schedules in order to clearly understand the existence of such rates and to interpret their significance, but in dealing with present day rates they must be considered entirely on the basis of current prevailing conditions.

The testimony shows that the growth of the rice industry in California has been constant since its beginning. It was shown (Trans. 564) that in the Sacramento Valley in 1912 there were planted to rice 1400 acres; in 1913, 6000 acres; in 1914, 15,000 acres; in 1915, 29,000 acres; 1916, 72,000 acres; 1918, 120,000 acres; 1919, 140,000 acres and in 1920, 170,000 acres. The same witness testified that there is now about 2,000,000 acres of grain planted in California, of which about 1,000,000 acres are in the Sacramento Valley (Trans. 543), and it was also shown that the yield per acre of wheat in California is about 10 sacks, or 1400 pounds, and the yield of barley per acre is 20 sacks, or about 2000 pounds, as compared with 35 sacks of rice per acre, weighing about 3500 pounds (Trans. 561). It was shown that the value of wheat rose from 60 cents per 100

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pounds in 1897 to the neighborhood of $4 in 1919 (Trans. 294), while rice ranged in price in 1915 and 1916 from $1.50 to $1.75 per hundred pounds and in 1919 as high as $8 per hundred (Trans. 294). It is thus established that rice is comparatively of higher value than grain and that the acreage in the Sacramento Valley of rice to grain is about 1 to 6. However, we also have the condition that the rice industry is constantly increasing in magnitude, but at the same time it is not expected to ever reach the volume of grain. Rice may be produced on land that was theretofore of no practical value for any other purpose.

Rice rates in the first instance were established by the carriers at the request of the rice growers and the rates then established were undoubtedly considered reasonable and acceptable to the shippers. In the beginning, the testimony offered by the defendant showed rice rates were based upon 150 per cent of the grain rates, but subsequent horizontal percentage increases have resulted in increasing the differential and widening the relationship between grain rates and rice rates until the rice rates are now higher than they probably would have been had adjustments been made by any other method than a horizontal increase.

Since the establishment of the rice rates there have been two general increases in all freight rates. The Director General of Railroads by his general Order No. 28, effective June 25, 1918, authorized a horizontali crease of 25 per cent over all rates in effect on May 25, 1918, and the Interstate Commerce Commission by its order in *ex parte* No. 74 authorized an additional 25 per cent horizontal increase on all interstate rates, effective August 26, 1920, and this Commission, by its Decision No. 7983 on Application No. 5728, rendered August 17, 1920, authorized increases on intrastate rates in harmony with the rates authorized by the federal commission.

The question of whether or not the present relationship of the rates between grains, such as wheat and barley as compared with paddy rice are unjustly discriminatory, is one of fact and must be determination upon consideration of all the circumstances and conditions, including the interests of the carriers, the rice growers, the millers and the consumers.

In arriving at the reasonableness of rates for a selected commodity, comparisons with rates in effect on comparable commodities are entitled to much consideration. As heretofore stated, paddy rice rates have twice been increased by 25 per cent, thus greatly widening the differential of 150 per cent originally existing between the wheat-barley rates and those applying to paddy rice. Complainants are contending for the same rates on both commodities, but in view of

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the history of the grain rates I am not convinced that this adjustment should be made.

It is apparent from a consideration of the evidence, exhibits and briefs that had the readjustment of all rates, made necessary by the war, been carefully studied and increases based upon reasonableness per se, the paddy rice rates would have received a different adjustment. Paddy rice is easily handled and comparatively heavy, which results in the heavy loading of cars, and on account of its inherent character is not susceptible to damage, especially by water, to the same extent as grain.

In our Decision No. 7983, *supra*, this Commission followed the action of the Interstate Commerce Commission, their *ex parte* 74, and granted to carriers increases in freight rates to meet the mandate of Congress set forth in the Esch-Cummings Bill, known as Transportation Act 1920, which provided that rates be prescribed producing approximately 6 per cent return to carriers. Our action was not based upon the reasonableness per se of any rates involved and in our decision the following language was used:

> This proceeding will be kept open for the purpose of considering adjustments of rates and all appropriate matters which may be properly brought before the Commission.

Taking all of the foregoing matters into consideration, I conclude that the rates on paddy rice, carloads, between points within the State of California are unjust and unreasonable to the extent that they exceed rates based on 125 per cent of the rates established August 26, 1920, applying to whole grain, viz., wheat, rye, oats, barley and corn. Defendants will, at the same time, remove certain unjust discriminations now appearing in the tariffs.

ORDER.

The Pacific Rice Growers' Association, complainants in Case No. 1432, and Rosenberg Brothers and Company et al., complainants in Case No. 1437, having filed complaints against the Atchison, Topeka and Santa Fe Railway Company et al., among other things alleging that milling-in-transit privileges should be accorded to paddy rice; that a mileage scale of commodity rates should be established for the transportation of paddy rice and that the rates generally for the transportation of paddy rice are unjust, unreasonable, discriminatory and unduly prejudicial, a regular hearing having been held,

The Railroad Commission finds as a fact that the present rates on paddy rice, in carloads, between points within the State of California are excesive, unjust and unreasonable and that just, reasonable, nondiscriminatory and nonprejudicial rates on paddy rice in carload quantities are 125 per cent of the rates established August

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26, 1920, applying to whole grains, viz, wheat, rye, oats, barley and corn in the tariffs of carriers, defendants in these two proceedings;

It is hereby ordered, that that part of the complaint in Case No. 1432 for an order establishing milling-in-transit and a mileage scale of commodity rates for paddy rice be, and the same is hereby dismissed.

It is hereby further ordered, that the defendants according as they participate in the proceedings be and they are hereby notified and required to desist on or before January 20, 1921, and thereafter to abstain from maintaining the unreasonable rates found to be existing by the preceding opinion.

It is hereby further ordered, that defendants according as they participate in these proceedings be and they are hereby notified and required to establish on or before Jaunary 20, 1921, in the manner prescribed by the rules of this Commission, the rates on paddy rice, carloads, based on 125 per cent of the rates established August 26, 1920, applying to whole grains, viz: wheat, rye, oats, barley and corn.

It is hereby further ordered, that in computing rates authorized herein, fractions will be treated as follows:

Where rates are stated in amounts per 100 pounds, or any other unit, fractions of less than one-fourth of a cent will be omitted; fractions of one-fourth of a cent, or greater, but less than three-fourths of a cent, will be stated as one-half cent; fractions of three-fourths of a cent, or greater, will be increased to the next whole cent.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of January, 1921.

DECISION NO. 8524.

IN THE MATTER OF THE APPLICATION OF SAN JOSE WATER WORKS, A CORPORATION, FOR PERMISSION TO ISSUE AND SELL STOCK.

Application No. 6402.

Decided January 8, 1921.

Leib and Leib, for Applicant.

DEVLIN, *Commissioner.*

OPINION.

San Jose Water Works asks permission to issue and sell at not less than par 1,343 shares ($134,300) of its common capital stock and use the proceeds to pay notes and reimburse its treasury on account of moneys expended for additions and betterments.

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Applicant sells water in the city of San Jose, the town of Los Gatos, the village of Saratoga, and certain other parts of Santa Clara County within reach of its mains. It reports that from December 1, 1919 to November 30, 1920, it expended for plant extensions, additions and betterments and for the acquisition of properties, the sum of $156,-074.26.

This amount was expended for the following purposes:

Water rights	$190 00
Real estate	2,841 25
Buildings, structures and grounds	6,034 39
Dams	34 50
Wells	14,239 18
Pumping equipment	22,725 02
Purification system	1,860 00
Distribution mains or canals	41,641 96
Distribution reservoirs	30 80
Services	14,497 11
Meters	45,074 16
Stable and garage equipment	6,143 90
General office equipment	341 23
General shop equipment	420 76
Total	$156,074 26

Applicant reports that the moneys represented by $109,300 of notes outstanding was used to pay for plant extensions, additions and betterments. In addition, the company has invested for similar purposes from earnings, the sum of $24,990. Because of these investments, the company asks permission to issue $134,300 of its common stock and use the proceeds to pay outstanding notes and reimburse its treasury.

Applicant has no outstanding bonded indebtedness. On November 30, 1920 the company reported $2,026,000 of stock outstanding. For many years past the company has been paying 6 per cent dividend on its outstanding stock.

Mr. Joseph R. Ryland, applicant's president, testified that in his opinion the company can sell the stock covered in this application at $105 per share net to the corporation. He, however, requests that the order may permit the company to sell the stock at not less than par and assures the Commission that the stock will be sold at the highest possible price.

I herewith submit the following form of order:

ORDER.

San Jose Water Works, having applied to the Railroad Commission for permission to issue $134,300 of its common stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

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It is hereby ordered, that San Jose Water Works be and it is hereby authorized to issue $134,300 par value of its common capital stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold by applicant for not less than par.

2. The proceeds from the sale of $109,300 of stock may be used by applicant to pay the notes listed in the original and supplemental petition in this application. The proceeds from $25,000 of stock may be used by applicant to reimburse its treasury on account of earnings invested in fixed capital.

3. San Jose Water Works shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock as may be issued and sold on or before June 30, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of January, 1921.

DECISION NO. 8525.

IN THE MATTER OF THE APPLICATION OF BERKELEY TRANSPORTATION COMPANY FOR AUTHORITY TO INCREASE FREIGHT RATES.

Application No. 6318.

Decided January 8, 1921.

J. M. Atthowe, for Applicant.

BY THE COMMISSION.

OPINION.

Berkeley Transportation Company, a common carrier of freight between San Francisco and Berkeley, applies for authority to increase rates as set forth in Exhibit "B" attached to the application, proposed increases being in most instances 20 per cent higher than existing rates. The request is accompanied by supporting data and information to which further reference appears hereinafter.

A hearing on the application was held at San Francisco before Examiner Geary on December 6, 1920, no one appearing in opposition to the proposed increases.

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Applicant's equipment consists of two lighters, one tugboat, one hoist, office furniture and fixtures, trucks, ropes, tarpaulins and miscellaneous materials and supplies, the whole of which has an estimated value of $18,000. This equipment is used exclusively in the San Francisco-Berkeley service, except that the tugboat is employed under State contract about nine hours per week, or approximately 6 per cent of its entire time of 144 hours per week, in hauling prison supplies from San Francisco to San Quentin. All expenses incurred on the San Francisco-San Quentin run have been carefully segregated by applicant and form no part of the expenses shown in operating statements filed in support of the petition.

Applicant's existing rates and regulations are covered by Local Freight Tariff No. 2, C. R. C. No. 2, effective November 1, 1918, since which time carrier's operating expenses have increased to the point of not only absorbing annually its entire revenue but also leaving each year a material deficit. This statement is confirmed by the figures shown in the following table of comparisons covering operations for the years 1918, 1919 and the first nine months of 1920:

	1918	1919	*1920
Revenues	$33,386 30	$34,497 07	$37,840 16
Expenses	33,833 18	34,750 12	41,408 71
Losses	$446 88	$253 05	$3,568 55

*First nine months.

In addition to the comparatively small losses resulting for 1918 and 1919, the foregoing figures which were vouched for by applicant's manager, further show that, while the total revenue for the first nine months of 1920 exceeds by more than $4,000 that for the entire year 1918, operating expenses for the same period increased over $7,000. Should the same monthly averages be sustained for the remainder of the year, applicant's losses for 1920 will rise to $4,758. By reason of maturing premiums on insurance policies and other obligations due subsequent to September, it is the opinion of applicant's manager that the last three months of 1920 will show considerably greater losses per month than the first nine months.

The application is based upon the showing carried in operating statements set forth herein, with particular reference to the high cost of labor, which has advanced 40 per cent since 1918; to wharf rentals which are 33⅓ per cent higher; to fuel and lubricants, 100 per cent higher; and to increased miscellaneous expenses, none of which show tendencies towards a lower level.

Applicant has practically no direct competition between San Francisco and Berkeley. Bay Cities Transportation Company maintains a

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similar service between San Francisco and Oakland competing indirectly with applicant, but the rates of the former are already higher in most instances than rates requested by Berkeley Transportation Company. Many of applicant's patrons are therefore paying for similar service rates in excess of the schedule proposed in the petition. Furthermore, the testimony indicated that interested shippers are not opposed to the increases requested.

No estimates were prepared by applicant showing the probable additional revenue which would be returned under the proposed rates, but it is evident that the increases sought, if authorized, will be largely absorbed in taking up the increased operating expenses, which will carry over into the new year.

We are of the opinion that the proposed rates have been justified and should be authorized. As a safeguard, however, six months after placing in effect the new schedule as authorized in the appended order, Berkeley Transportation Company will be required to file with the Commission a full report showing in detail the effect of the increases upon the company's operations, at which time, if deemed necessary, the Commission will take further action in the premises.

ORDER.

Berkeley Transportation Company having applied for authority to increase freight rates, a hearing having been held thereon, the matter having been submitted, and the Commission being of the opinion that the application should be granted;

It is hereby ordered, by the Railroad Commission of the State of California, that Berkeley Transportation Company be and the same is hereby authorized to publish and file within thirty days from date hereof tariffs showing increased rates for the transportation of freight between San Francisco and Berkeley, as set out in Exhibit "B" accompanying the application.

Dated at San Francisco, California, this eighth day of January, 1921.

DECISION NO. 8526.

FRANCES R. SCHMITT ET AL.

vs.

EMIL FIRTH AND DR. EDGAR SMITH.

Case No. 1292.

Decided January 8, 1921.

W. W. Orme, for Dr. Edgar Smith.
Elias V. Rosenkranz, for Emil Firth.

BY THE COMMISSION.

SUPPLEMENTAL OPINION UPON FURTHER HEARING.

The complaint in the above entitled matter, alleging inadequate service, was filed by some twenty-eight consumers of the water system sup-

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plying the tract known as Sunnyside Garden Acres. After a hearing in the matter the Commission issued its opinion and order (Decision No. 6220, dated March 24, 1919), wherein the complaint, in so far as it related to defendant Emil Firth, was dismissed, and defendant Smith (true name Charles Edgar Smith) was ordered to file certain plans and specifications for the reconstruction of the distributing system, said plans and specifications to be filed with the Commission within ten (10) days of the date of the order, and it was directed that upon the approval of said plans and specifications defendant Smith should proceed without delay to reconstruct and repair the water system as provided in the approved plans and specifications and should complete said reconstruction and improvements on or before May 15, 1919.

At the request of defendant Smith additional time was granted by the Commission within which to file plans and specifications, and it was not until May 17, 1919, that the required plans and specifications were submitted.

Defendant then proceeded to make certain improvements to this water system. The installation of these improvements, however, proceeded very slowly and was delayed from time to time. Furthermore, it developed upon investigation that certain of the pipe lines installed were of poor quality and in unsatisfactory condition, while others were in accordance with the specifications. As time went on war conditions intervened, and the possibility developed that the area served by defendant would be annexed to the City of Los Angeles. These facts caused the Commission to exercise leniency in its requirements, but the conditions which were found to prevail and the time which had elapsed, finally made a further investigation advisable. Accordingly, a further hearing was held in this matter, and evidence taken which disclosed the fact that portions of the improvements which had been installed by defendant were of such poor quality that unsatisfactory service conditions would inevitably ensue, and also that certain other and further improvements are necessary in order that the Commission's requirements may be complied with.

Taking the foregoing conditions into consideration, the original order in this proceeding will be supplemented as follows:

SUPPLEMENTAL ORDER.

A further hearing having been held in the above entitled proceeding and the evidence having adduced certain additional information with relation thereto;

It is hereby ordered, that Charles Edgar Smith, owner and operator of a public utility water system supplying the residents in tracts Nos. 3002 and 2752, Sunnyside Garden Acres Addition, Los Angeles County,

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be and he is hereby directed to install improvements in said water system as follows:

1. In Normandie avenue, from the tanks of this utility northerly to One Hundredth street, a pipe of six-inch internal diameter.
2. In One Hundredth, One Hundred First, One Hunderd Second and One Hundred Third streets, from the main pipe in Normandie avenue westerly to Harvard boulevard, pipe of not less than two inches internal diameter.

The above pipe shall be either new pipe or second hand pipe in first class condition. The pipe shall be what is known as "standard" screw pipe and shall have all been dipped in a bath of molten asphalt, conforming with standard practice. All the existing house service pipes in the above streets shall be connected to the new pipes and all the necessary fittings shall be installed with the pipe mains, service to consumers to be rendered through the new pipes as soon as construction permits.

It is hereby further ordered, that Charles Edgar Smith be and he is hereby directed to be governed by the following conditions in installing the improvements above outlined:

1. The actual work of installing the improvements ordered above shall be begun within thirty (30) days of the date of this order, and continued diligently to its completion, said improvements to have been installed and completed on or before April 1, 1921.

2. Weekly reports of progress on installation of improvements shall be rendered to the Commission, the first of said reports to be filed not later than thirty days from the date of this order.

3. At such time as the material has been selected for the improvements contemplated by the order herein, the Commission shall be so notified, to the end that an inspection of same may be made by a representative of its engineering department before the installation is made.

It is hereby further ordered, that any conditions of the order in Decision No. 6220, issued March 24, 1919, in this proceeding, which may be in conflict with the conditions of this order, be and they are hereby rescinded and set aside.

Dated at San Francisco, California, this eighth day of January, 1921.

DECISION NO. 8530.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING APPLICANT TO CANCEL AND WITHDRAW ITS ELECTRIC SCHEDULE NO. 116, ORIGINAL SHEET C. R. C. 23-E AND FILE IN LIEU THEREOF AND PUT INTO EFFECT ITS PROPOSED SCHEDULE NO. 197; ALSO AN OPTIONAL SCHEDULE OF ELECTRIC RATES FOR LARGE RECLAMATION PLANTS TO BE KNOWN AS SCHEDULE NO. 198, SAID SCHEDULE TO BE MADE RETROACTIVE TO JULY 10, 1918, ETC.

Application No. 4360.
Decided January 10, 1921.

Chas. P. Cutten, for Pacific Gas and Electric Company.
Hiram W. Johnson, Jr., for Reclamation District 108.

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Wm. H. Devlin and *Harry L. Houston*, for Reclamation District 1500.
Chas. W. Slack, for Natomas Consolidated and Reclamation District 1001.
Chas. L. Firebaugh, for Alameda Sugar Company and Reclamation District 170.

LOVELAND, *Commissioner*.

OPINION ON APPLICATION FOR REHEARING.

Hearings in this proceeding were held and the matter submitted. Thereafter, on July 12, 1920, an order was made, (Decision No. 7876) dismissing the proceeding. The reason for this action of dismissal was the belief on the part of the Commission that the establishment of reasonable rates referred to in this proceeding had been fully covered by Decision No. 7823 in a collateral proceeding, Application No. 5567. Subsequently, however, it was made to appear that the decision in the collateral proceeding did not fully cover the issues sought to be presented under this proceeding, and the Commission thereupon, by its Decision No. 8043, made an order revoking the dismissal theretofore made of Application No. 4360. In this order of revocation the Commission also fixed certain rates for the service referred to in the application.

A petition for rehearing on the proceeding was filed on the first day of September, 1920, by Reclamation District No. 108, one of the consumers affected by the rates thus established, specifying as grounds for rehearing that the order revoking the prior dismissal of the proceeding was void on account of failure to give the notice an opportunity to be heard contemplated by section 64 of the Public Utilities Act.

After fully considering the entire matter, I am of the opinion that the reasonableness of the rates for the particular service in question rendered under special contracts can only be properly considered by the filing of an entirely new application, dealing particularly with the rates to be applied for the service rendered to Reclamation District No. 108 and such other Reclamation Districts as were, prior to this proceeding, supplied under special contract agreements. In view of this conclusion, I am of the opinion that the entire proceeding under Application No. 4360 should be dismissed. It therefore becomes immaterial to consider the questions of procedure which have arisen heretofore and referred to in the petition for rehearing, as well as other matters presented by the petition for rehearing.

I recommend the following form of order:

ORDER.

Good cause appearing therefor;

It is hereby ordered, that the above entitled proceeding be and the same hereby is dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of January, 1921.

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DECISION No. 8539.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND SELL BONDS IN THE AMOUNT OF TEN MILLION DOLLARS FACE VALUE.

Application No. 6425.

Decided January 12, 1921.

Roy V. Reppy and *Geo. E. Trowbridge*, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Southern California Edison Company in its original application asks permission to issue and sell $10,000,000 face value of its general and refunding mortgage 6 per cent twenty-five-year gold bonds of the "series of 1919." This application was heard by former Commissioner Edgerton on December 29. In a supplemental application, filed January 12, and heard by Commissioner Loveland, the company asks permission to use $3,000,000 of the bonds as collateral to secure the payment of notes.

In Exhibits "3" and "4" applicant reports that up to November 30 1920, it expended for additions and betterments the sum of $8,099,260.69, against which no bonds or stock have been issued. The engineering department of the Commission has checked these expenditures and finds them to be reasonable. The testimony shows that applicant estimates its expenditures for hydroelectric development during 1921 at $8,000,000 and its expenditures for general additions and betterments to take care of the ordinary increase in applicant's business at from $4,000,000 to $6,000,000. To permanently finance properties already constructed and to carry forward its construction program during 1921, applicant will have to raise approximately $20,000,000.

The record shows that $1,000,000 of debentures issued by applicant, and $250,000 of Shaver Lake Lumber Company bonds guaranteed by applicant become due January 15. In addition, the company's notes payable are reported at $7,417,000 and accounts payable at about $1,750,000. The floating indebtedness has been incurred largely on account of the construction and acquisition of hydroelectric properties and other additions and betterments.

Applicant has entered into no definite agreement for the sale of its bonds and it is, therefore, not in a position at this time to advise the Commission as to the price at which its bonds may be sold. It is expected that some of the bonds, $5,000,000, will be sold within the near future. Pending such sale, applicant in order to meet maturing obligations, asks permission to pledge $3,000,000 of bonds to secure the payment of $2,000,000 of notes issued for a term of thirty days or less.

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The notes will be paid and the bonds released as soon as applicant can sell part or all of the bonds covered in this application.

I herewith submit the following form of order:

ORDER.

Southern California Edison Company having applied to the Railroad Commission for permission to issue $10,000,000 face value of its general and refunding mortgage 6 per cent twenty-five-year gold bonds of the "series of 1919," public hearings having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, or in such supplemental orders as may be issued from time to time, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Southern California Edison Company be and it is hereby authorized to issue $10,000,000 face value of its general and refunding mortgage 6 per cent twenty-five-year gold bonds of the "series of 1919."

The authority herein granted is subject to the following conditions:

1. None of the bonds herein authorized shall be sold by applicant except upon such terms and conditions as the Commission may hereafter authorize.

2. Of the bonds herein authorized, not exceeding $3,000,000 face value may be used as collateral security for the payment of short time loans, the collateral in each case to be at the ratio of $3 face value of bonds for each $2 borrowed. As the loans are paid, a proper proportion of the bonds shall be returned to applicant and thereafter not disposed of in any manner whatsoever, except as authorized by the Railroad Commission.

3. The moneys realized from the use of the $3,000,000 of bonds as collateral shall be used by applicant to finance in part its construction expenditures reported in its Exhibits "3" and "4", and after such financing may be used to pay maturing obligations referred to in this application.

4. Southern California Edison Company shall keep such record of the issue, disposition and sale of the bonds herein authorized and of the use of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted will apply only to such bonds as may be issued, hypothecated or sold, on or before November 15, 1921.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of January, 1921.

DECISION No. 8542.

IN THE MATTER OF THE APPLICATION OF THE CITY OF REDDING, A MUNICIPAL CORPORATION OF THE SIXTH CLASS, TO ASCERTAIN THE VALUE AND TO FIX AND DETERMINE JUST COMPENSATION TO BE PAID THE NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, A CORPORATION, FOR THE ACQUISITION BY SAID CITY OF ITS SYSTEM OF DISTRIBUTION OF ELECTRICAL ENERGY TO THE INHABITANTS AND CONSUMERS THEREOF.

Application No. 3718.

Decided January 14, 1921.

VALUATIONS—CONDEMNATION PROCEEDINGS—METHODS USED.—It is held that actual cost cannot be the sole measure of value, admitting that expenditures for special equipment, labor and management is the best measure of value since substitution partakes of the element of speculation, yet abnormally high or abnormally low costs or costs incurred during a time long since past or for things no longer efficient can not be the true measure of actual present day worth of the properties for which just compensation must be fixed. It is legitimate to consider various estimates of value on various theories, for to determine just compensation all factors having a bearing on present day value must be considered and given their proper weight.

VALUATIONS—CONDEMNATION PROCEEDINGS—EVIDENCE.—It is the duty of the Commission to reach its own conclusions from conflicting testimony or other conflicting data and it is of the opinion that it is not bound to accept a certain figure testified to by its own or other witnesses to the exclusion of other considerations that in its judgment should be given weight.

DEPRECIATION—CONDEMNATION PROCEEDINGS—HOW CONSIDERED.—It is held that only actual depreciation should have consideration in a proceeding of this kind, that possible or probable future obsolescence because of likely advances in the art or because of probable discoveries or inventions should not be given weight, such future depreciation, though it must be expected, is too speculative an element to be estimated in terms of money and deducted from a value, otherwise found. Only such depreciation as has actually accrued will be considered.

OPERATING EFFICIENCY OF PLANT—VALUATIONS—EFFECT ON.—The question of general operating efficiency of a plant is treated separately both from the question of accrued physical depreciation and from the question of going concern value. Whatever property the proposed purchaser specifies and desires to take over must be paid for at its full value, the purchaser must pay for the plant to be acquired rather than for a substitutional plant, no deductions having been made or estimates introduced to show cost or values of a substitutional plant. It is held, however, that the operating condition of a plant must be considered to determine just compensation, for if by reason of faulty construction or deferred maintenance, operating expenses are abnormally high, or reconstruction necessary, such facts vitally affect the value of the property as a whole. A deduction of $1,000 is made from estimated reproduction cost, less accrued depreciation because of certain proved inadequacies and inefficiencies in the general arrangement and operating condition of the plant, tending to produce wasteful inefficient and costly operation.

FRANCHISES—COST OF—ALLOWANCE FOR.—Franchises are property and must be paid for, the actual original cost only of franchises to be allowed, undepreciated.

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VALUES—CONDEMNATION PROCEEDINGS—PROFITABLENESS OF PLANT—CAPITALIZATION OF.—The utility's contention that value depends primarily on productiveness and that it is entitled to compensation based on earnings of the property proposed to be acquired is not allowed, the Commission holding that such contention amounts to nothing more or less than the capitalization of profits. In condemnation proceedings, "value" does not mean sales value or exchange value, as it is not possible to sell the abnormal profitableness of a public utility business because in no sense can the continuity of such profits be guaranteed even for a short period of time.

GOING-CONCERN VALUE—CONDEMNATION PROCEEDINGS—ALLOWANCES FOR.—It is held evident in law and in fact, that the intangible quantity called business value in a regulated public utility differs in very essential particulars from that same quantity in an unregulated competitive private business and compels the rejection of the theory of the capitalization of profits in finding going-concern value which should only include the cost to develop the business through a reasonable development period, provided the company has not recouped such losses from subsequent earnings. In giving consideration to the large profits earned by the Redding plant during the year 1917, the Commission holds that such earnings in so far as they exceed normal earnings, do not constitute any element of going-concern value that can be capitalized nor do they establish in any case the contention that early development costs have been extinguished by later profits as it is shown that the company on its system as a whole earned less than a normal fair return, and it would be unfair to assume that the company had been returned the cost of developing its business. In determining the amount to be allowed as development cost, three years is fixed as a reasonable development period and a return of 2 per cent per annum is allowed upon the reproduction value less depreciation, giving the sum of $2,784.

SEVERANCE DAMAGES—ALLOWANCES FOR.—In commuting severance damages in the present proceeding the Commission holds that the company is entitled to the costs of rearrangement of its power and telephone circuits, after the sale of the Redding distributing system, in order to create the same or better operating conditions for the company's requirements. The cost of such work is fixed at $623 which is the amount allowed as severance damages.

EVIDENCE—CONDEMNATION PROCEEDINGS—METHODS FOLLOWED.—In all formal proceedings the reports and testimony of the Commission's employes submitted as evidence, are given whatever weight they deserve in the Commission's opinion the same as testimony of any other witnesses appearing before the Commission, and either or any party to a proceeding can make such employee his own witness, or, accept as a statement of its own position, the report of such employee and in no way can an investigation be considered as conducted in a partisan spirit, the award of compensation be considered biased or the Commission as having failed to regularly pursue its authority in considering such testimony and reports in a proceeding conducted under procedure as prescribed in detail in section 47 of the Public Utilities Act.

The sum of $49,177 is found as the fair value of physical properties, plus overhead, including development costs, franchise value and going-concern and the sum of $623 as severance damages, to be paid by the city of Redding, for the Redding electrical distributing system of the Northern California Power Company.

W. D. Tillotson and *H. A. Mason*, for City of Redding.

Allan P. Matheu, for Northern California Power Company, Consolidated.

Charles P. Cutten, for Pacific Gas and Electric Company.

BY THE COMMISSION.

OPINION AND ORDER ON REHEARING.

On July 3, 1919, the Commission rendered its decision in this application (Decision No. 6537) and thereafter the Northern California Power Company, Consolidated, petitioned for a rehearing. This application was granted (opinion and order on application for rehearing of Novem-

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ber 6, 1919) for reasons stated in the opinion. Additional exhibits have been filed and additional testimony introduced and the matter is now submitted for final decision.

The company sets forth twenty-one different reasons why a rehearing should be granted, twenty of which rest upon the allegation that the Commission has failed regularly to pursue its authority under the Public Utilities Act and in particular under section 47 of said act, and that the Commission's findings are confiscatory and in violation of the fourteenth amendment of the United States constitution. The additional reason alleges that the Commission is without authority to fix the rates for the sale of electric power by the company to the city of Redding after the acquisition by the city of the property in question.

In granting the application for rehearing, the Commission decided upon a virtual reopening of the case, stating that "it is our opinion that the importance of this proceeding requires that an opportunity be given both to the municipality and to the company to present complete evidence upon all of the issues involved * * *." In order, however, to meet the issues, the essential grounds of the company's objections are listed below. It is alleged:

1. That erroneous valuation methods were employed in measuring the value of the physical property.
2. That valuation estimates and findings were made that were not supported by the evidence.
3. That insufficient overhead allowances were made.
4. That erroneous methods of measuring depreciation were employed.
5. That the Commission failed to determine and include the value of three franchises.
6. That the Commission failed to include in the compensation an amount sufficient to represent the development cost of the property and of the business.
7. That the Commission's presumption as to the existence of fair rates prior to the authority of the Railroad Commission was unjust and unreasonable.
8. That proof on the part of the Company as to actual unrequited losses, such proof being required by the Commission, is not essential in order to establish the present value of the property and the business.
9. That the Commission erred in its conclusions on going-concern value.
10. That the Commission erred in finding and concluding that the rates for the sale of electric power by the Company to the city after the acquisition of the properties will be fixed by the Commission, the Commission being without authority to fix such rates.
11. That the Commission's findings with reference to the company's entire generating system and all its transmission lines not sold were erroneous.
12. That the Commission's findings with reference to severance damages were erroneous.
13. That the Commission has no authority to require the company to enter into an agreement with the city in order to avoid certain severance damages and that it has erred in failing to find the amount of severance damages covering this item.
14. That since the Commission through certain of its employees has produced and placed in evidence exhibits which were offered and presented in behalf of the city of Redding, the company has been denied a fair hearing before an impartial tribunal as required by due processes of law.

(1) Basis of just compensation.

In Decision No. 6537, *supra,* the Commission set forth the bases of finding just compensation and the methods employed in considering

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and finding each element of value and of damage. Nothing has developed during the rehearing to change our conviction of the complete soundness and fairness in law and in equity of these bases. The questions remaining are questions of fact and of the proper interpretation of fact in relation to the matters of value and of damage.

After a careful consideration of the exhibits and the voluminous transcript in this proceeding and also of the extended and able briefs of counsel for the city and for the company, it seems desirable to repeat what was pointed out in the former decision: that many of the contentions and arguments of both parties lose significance and disappear as soon as the confusion is done away with between the making of engineering appraisals and reports (giving necessarily different results according to the methods employed), on the one hand, and the finding of just compensation by the Commission after all of the different measures of value and of severance damage have been considered, on the other.

It must be admitted that while there can only be one final value, there is more than one consistent and honest method of measuring the present worth of the several elements and items of public utility property. The market value of a portion of an electric utility cannot, in the nature of things, be ascertained readily and automatically in the same sense that market conditions often determine accurately and automatically at a given time the market value of commodities or of securities. And since this condition is a fact and not a theory, it becomes necessary to measure value by other means.

It seems clear to us, for instance, that actual cost cannot be the one and sole measure of value; and yet it would not be well to ignore a consideration of that cost if value is to be ascertained with any reasonable degree of correctness. It will be found in practice that in many instances of special equipment and expenditures for labor and management, actual cost incurred during the time in question is indeed the best measure of value, since substitute estimates partake of the element of speculation and lack the certitude that pertains to actual facts, no matter how honestly or how carefully such estimates may be made. And yet abnormally high or abnormally low costs, or costs incurred during a time long since past or for things no longer efficient, cannot be the true measure of actual present day worth.

Nor are we on firm ground when we base reliance on reproduction cost estimates alone. It is well known that there are many methods (most of them legitimate as showing what the result will be, given certain assumptions) of making engineering estimates of reproduction cost.

There is the historical method of reproducing the property piecemeal in the period of time through which it has actually lived. This method means prices and costs for labor and material fluctuating between wide

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limits, and it means more expensive construction costs by reason of the actual piecemeal method of construction than if the job were done under more ideal construction conditions with a more or less perfect construction organization in a comparatively short time. Yet a good deal can be said for this method, for, in the absence of reliable bookkeeping costs, it will give the nearest approach to actual expenditures that can be devised. Yet this method cannot be considered the sole criterion of value.

Another method is that of reproduction cost new, with an assumed construction period and assumed construction conditions and organization and with estimated prices and overheads actually in effect during the assumed construction period. This method has the advantage of reflecting more accurately than the other two the present day conditions. But we should not ignore the truth that literally the method proceeds on an impossible hypothesis: the engineer who makes this estimate of a public utility in a given locality as of today has to take all things and conditions and men in the community as he actually finds them but has to eliminate in his imagination the utility plant theoretically to be reconstructed. This radical hypothesis is bound to ignore and to do violence to such obvious considerations as the very utility which is assumed nonexistent has created and as affects the costs which the engineer has adopted. But it is easy to criticise these apparent inconsistencies and to discredit any such method of valuation. The difficulty comes in suggesting a less vulnerable and a fairer one.

It has been a source of confusion quite evident in this proceeding that the distinction was lost sight of between a rate base and a just compensation figure. We have no patience with the argument that in a reproduction cost estimate for rate making purposes a power line pole should stand at one figure and that in a reproduction cost estimate for condemnation purposes the same pole should stand at another figure. It seems clear to us beyond argument that a given property item valued according to a given method must have in its estimate of value new and in its estimate of value depreciated the same figures no matter for what purpose that estimate may be used. To conclude, however, that because of this statement the rate base and the just compensation of a public utility plant must be the same, seems to us altogether erroneous.

The difference in the final result (depending on whether a given public utility property is to be valued for just compensation purposes or for rate making purposes) will be found to lie not in the value given to different property items under various methods of valuation but rather in the answer to the final question of whether in a rate case the basis for the fair return should be "value" or "investment" or "sacrifice." In a rate case the rate making authority is concerned with finding the

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sum on which a fair return should be allowed. The problem involves the determination of what property is reasonably used and useful in the public service, what capital expenditures have been made by the utility even though these expenditures may be on property not owned by the utility, and other similar questions. Also the matter of going concern, in so far as going concern is an element resulting from the actual or prospective ability to realize profits, cannot enter into the rate problem. If it were held otherwise there would follow the absurdity that the higher the rate, the greater the earning power; the greater the earning power, the larger the going concern; the larger the going concern, the higher the rate, ad infinitum.

An essentially different problem confronts the Commission when it has to find just compensation. Beyond a question it must, in that case, find the fair value of the property as of a given time with all of the elements making for increase or decrease and for loss or gain attached to it. And what property items are to be valued is settled by the description of the property desired to be taken, by which description the Commission is governed.

If, therefore, agreement can be had on the proposition that it is legitimate to consider various estimates of value on various theories (each with necessarily different results) and that in the last instance these various estimates, elements and measurements must be resolved by the Commission into "just compensation" and that "just compensation" can be found only if *all* factors (to the exclusion of none) having a bearing on present day value are given their proper weight, then it will be possible to discuss the problem on common ground and with an intelligent vocabulary.

(a) Valuation of physical property plus overheads.

To reach a conclusion as to the value of the physical property (without regard in this place of the effect on such value of profits and losses) the Commission had available in Decision No. 6537 six engineering estimates, viz:

1. The historical reproduction cost.
2. The reproduction cost new on the basis of average prices for the preceding five years.
3. The reproduction cost new on the basis of prices as of May 2, 1918, the date of the filing of this application.
4. The reproduction cost less depreciation based on the historical reproduction cost.
5. The reproduction cost less depreciation based on the five-year period reproduction cost.
6. The reproduction cost less depreciation based on the date of valuation reproduction cost.

We were convinced that the law required an engineering estimate of reproduction cost based on prices for material and labor during a fair construction period immediately preceding the date of application with

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a deduction from that estimate of such a sum as represented the accrued depreciation. After weighing all of the evidence the Commission was of the opinion that one year (the year ending May 2, 1918, the date of the filing of the application) was a reasonable reproduction construction period. No single one of the available engineering estimates for reproduction cost gave a figure in strict accordance with this definition. Since, however, for reasons indicated above, factors of large uncertainty must be inherent in any reproduction cost estimate, and since furthermore an engineering estimate figure is not the end in itself but merely the means to an end, the Commission was of the opinion that the law was fully complied with and that reasonable accuracy was obtained by making a 20 per cent addition to the engineering department's reproduction cost new estimate based on the five-year period. The Commission was the more ready to adopt this method since the physical property is only one element in the total value of plant and business. This total value may be more or less than the reproduction less depreciation estimate. It may also be stated that from its considerable experience in valuation matters, the Commission's judgment may be assumed to carry some weight.

The company alleges that this procedure was in error, in violation of section 47 of the Public Utilities Act and resulted in confiscation of the company's property within the meaning of the fourteenth amendment of the constitution of the United States.

The Commission is not persuaded that this allegation is sound and that all exercise of judgment and discretion is taken from the Commission in a proceeding of this nature. We believe it to be the Commission's function and duty to reach its own conclusion from conflicting testimony or other conflicting data and are by no means of the opinion that the Commission is bound to accept a certain figure testified to by its own or other witnesses to the exclusion of other considerations that in its judgment should be given weight.

In order to remove uncertainty, however, we arranged for a joint report by engineers of the company and of the Commission on the valuation of the physical properties of the Redding distribution system. Instructions were issued by the Commission to the engineers as follows:

"Submit a joint report showing the reproduction cost new of the physical properties of the Redding distributing system based on market unit prices for the year from May 3, 1917, to May 2, 1918, inclusive. In determining market unit prices, fix, as far as possible, the average price for materials required based on actual sale prices referable to materials of the kinds, qualities and amounts necessary for a reconstruction of the Redding system. In case any material involved shows a wide fluctuation or variation of prices during the year, detailed figures should be given showing basis of average. Unit prices for labor shall be fixed in the same manner as that employed for materials. In all cases, prices are to be referred to materials and labor of the kind and in the amount required for the construction of the Redding plant as though purchased in the open market by an independent buyer."

This report is in evidence (Commission's Exhibit BB) and shows the figure agreed to by the company's and the Commission's engineers

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for reproduction cost new, including organization and overheads (but without any deductions for accrued depreciation) of $64,243.44. The report also removes from controversy the subject of overheads and organization, counsel for the city and counsel for the company having stipulated that 16 per cent on the proper base figure should be added as a fair allowance to cover the so-called overhead items, including "organization," "undistributed construction expenditures" and "interest during construction."

The Commission is ready to accept this figure inclusive of overheads, for what it purports to be, viz, an estimate of reproduction cost on the basis indicated above. It is not to be inferred, however, that the Commission lays down the rule that this figure is the only correct measure of the value of the physical property or that it must, unmodified and to the exclusion of every other factor affecting fair value, be taken as the criterion of just compensation for any one portion or element of the total property sought to be acquired. This saving clause is not intended as specious argument. Aside from the question of depreciation, there is not, and cannot be, reflected in an engineering estimate made by this particular method the efficiency of the plant as a whole or any abnormal conditions of construction or operation. A valuation by this method by and of itself can only be one step and is merely an inventory and reproduction cost new estimate of a large number of individual property items.

(b) Accrued physical depreciation.

The company alleges error and consequent violation of the Public Utilities Act and confiscation of property within the meaning of the fourteenth amendment of the United States constitution because of the Commission's finding, in this respect alleging:

"* * * that the amount of accrued depreciation of petitioner's said properties should be determined by the "straight-line method" and not by the "sinking fund method" of computing depreciation; that the Commission has heretofore in a proceeding conducted by it for the purpose of fixing rates to be charged by the petitioner in the sale of electric energy in the city of Redding, determined that the depreciation allowance properly to be included in the estimated expenses to be incurred by petitioner in the conduct of said business should be computed in accordance with the sinking fund method, and such rates were fixed by the Commission in accordance therewith;

"That by virtue of the said finding herein the petitioner will be deprived of a portion of the value of its said properties measured by the difference between such depreciated value as determined by the application of the sinking fund method, and such depreciated value as determined by the application of the straight-line method."

A great amount of testimony and argument was heard and read by the Commission on the question of depreciation in this proceeding. The matter was exhaustively discussed in briefs filed by the petitioner after the original hearings and is again gone into fully in the briefs filed on rehearing.

In Decision No. 6537, *supra,* an attempt was made to state definitely and at considerable length the Commission's views and conclusions on depreciation as it confronts us in this case. It now seems necessary

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to state more fully the facts as we see them and to make our position more definite, if possible.

Counsel for the company sets forth with considerable completeness the decisions of the courts and the commissions on the principles governing the determination of just compensation. The basic rule of valuation in cases of this kind must be considered as definitely established. It is the "present value," the "full and perfect equivalent," the "rule of giving to the owner the increment of value and subjecting him to the losses in value," "full compensation for everything or element of value taken."

And the Commission is in complete agreement with counsel as to the intent and meaning of these terms. It is on the means of exact measurement and the relative significance of the various means that there appears to be disagreement.

Speaking of the physical property alone as it appears item by item in an engineering inventory and appraisal and not injecting at this point false quantities (such as service value, operating efficiency: these factors will receive consideration elsewhere), it is beyond question that a given property item will have attached to it a higher cost or value figure when taken into the estimate in its new condition than it will have after consideration has been given to the effect on this property item of wear and tear and the elements of decay appearing as inseparable accompaniments of use and passing time. The lessening of value from such causes is termed depreciation.

We believe that only actual depreciation, sometimes called accrued depreciation, should have consideration in a proceeding of this kind, and that possible or probable future obsolescence because of likely advances in the art or because of probable discoveries or inventions, should not be given weight. Such future depreciation—while the past has shown that it is real and must be expected—is too speculative an element to be estimated in terms of money and deducted from a value otherwise found. Only such depreciation as has actually accrued will in this case be considered by the Commission.

How is this accrued depreciation to be measured, or, in other words, what sum of money is to be subtracted from the estimate new in order to reach the estimate of cost of reproduction less depreciation? It is at this point that the argument on straight-line method versus sinking fund method is injected. The company argues that because in a past rate case the Commission authorized the company to accumulate a depreciation fund on the sinking fund basis and because under the sinking fund method the annual payments into the fund are smaller than under the straight-line method, a confiscation of property results if in this proceeding a larger amount of accrued depreciation is deducted from the reproduction cost estimate new than would be found in the sinking fund, if it had actually been set aside. We do not think

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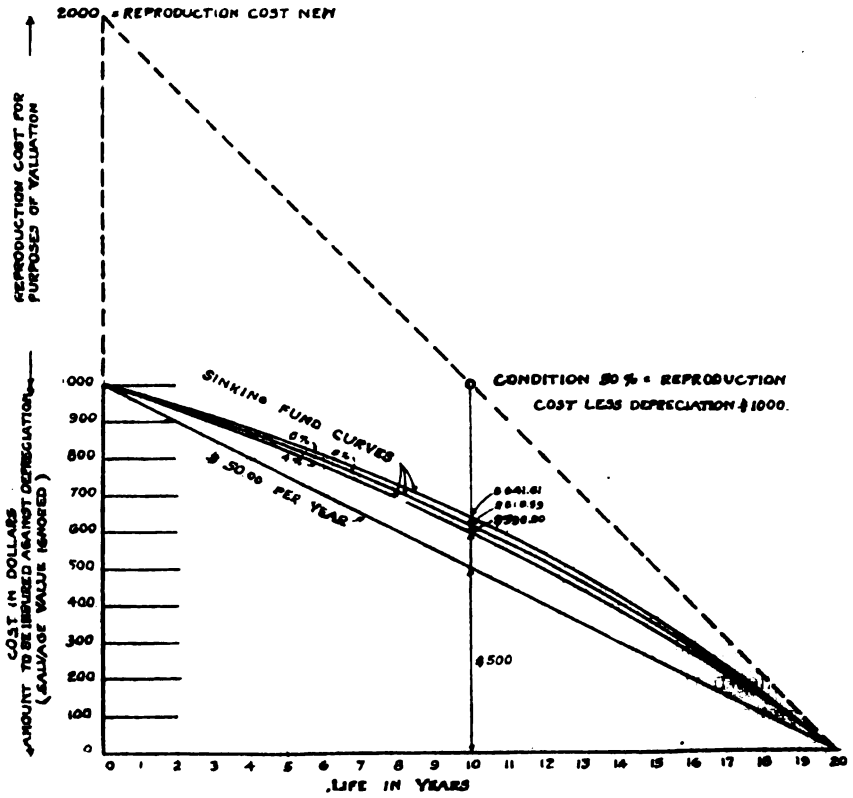
it necessary to review the rate decision referred to in order to see whether or not the company correctly interprets the Commission's opinion and order. Regardless of what the Commission did in the rate case, it will appear that the facts of the matter do not bear out the company's contention of confiscation and there is not the least doubt that the company's position is erroneous and probably rests on a misunderstanding of the problem. The problem can best be illustrated, perhaps, in the form of a diagram.



Let the diagram stand for a machine of an original cost of $1,000 and a life estimated at the time of purchase at 20 years. We have, then, two problems in depreciation:

Problem 1—What is to be done to accumulate $1,000 in 20 years to insure against the depreciation of the machine during the estimated life, that is to say, to have the investment intact when the machine is gone? It is obvious that the end sought can be accomplished in many ways. The diagram shows four methods:

(a) The straight line method.
(b) The sinking fund method on a 4 per cent basis.
(c) The sinking fund method on a 5 per cent basis.
(d) The sinking fund method on a 6 per cent basis.

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Assuming that the machine was bought 10 years ago (one-half of the estimated life having elapsed), the company will now have in its depreciation fund under method (a) $500; under method (b) $403.10; under method (c) $380.41; and under method (d) $358.39. It is to be noted, however, that under each of the methods there will be in the fund at the end of the 20 years the sum of $1,000. And there are many other possible methods, each leading to the sum to be accumulated, viz, the $1,000 at the end of 20 years.

Problem 2—What is the difference, in money, between the machine new (cost being estimated at *present* prices) and the machine in the condition in which we actually find it after 10 years have elapsed of its life and use? Will, or must, the answer be the same as under any one of the methods used in problem (1) above? Certainly and obviously not, for these reasons:

First—We are not dealing with the investment, nor are we concerned with keeping the investment intact. We are concerned with *present* prices and *present* values.

Second—It is impossible, beforehand, by any theoretical method (straight-line or sinking fund) to determine the *actual* condition of the machine at a given time in the future. The machine should be inspected at the time its value is to be found or, if that cannot be done, the accrued depreciation must be determined in the light of all available facts, keeping in mind that the history of the machine will be available in whole or in part for the last ten years. The machine might have depreciated 50 per cent and might still be worth more than the total original investment (in which case there would be no depreciation whatever in the curve for the first problem). Or the machine might be entirely worthless (in which case all curves in problem (1) would be in error and should have reached zero) and the company would at best (under the straight-line method) have insurance only for one-half of the investment.

The two problems are entirely different and have nothing in common, and only by mere chance may the amount in the sinking fund and the difference between reproduction cost new and reproduction cost less depreciation be the same. This must be so because in the one case we deal with investment and in the other we deal with value.

In the estimates made by the Commission's engineers the methods used are explained. Applicant's Exhibit No. 1 (the report of the Commission's engineers) reads in part as follows:

"The term 'reproduction cost less depreciation' is defined as the reproduction cost less the diminution in the value of the physical elements, due to use, age, obsolescence, inadequacy or other causes, this diminution being called depreciation, and plus, the increase in the value of the physical elements of the property due to age or other causes, this increase being called appreciation."

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And:

"There are two kinds of depreciation as ordinarily considered: One is caused by the action of time and the elements and the wear to which property is subjected. The other is caused by the inadequacy or obsolescence of the facility due to developments which have made it incompetent to perform its function properly or economically even before its natural life has run.

"The first of these kinds of depreciation is generally called physical depreciation, and the second functional depreciation. Functional depreciation may or may not happen, while physical depreciation (or appreciation) always acts during the life of a facility.

"Both kinds of depreciation must be taken into account in this application.

"Having to some extent considered and defined what depreciation means, as used in this report, it is necessary to examine what method we have used to arrive at a depreciated value. The procedure has been this: From the cost of the property new there is deducted the scrap value at the point of usage. The remainder is called the wearing value. This wearing value is then divided by the estimated or probable life of the property, on a straight line basis, and the quotient is called the annual depreciation. The actual age of the item of property is then multiplied by this annual depreciation to find the total depreciation. This total depreciation subtracted from the cost or 'reproduction cost' gives what is called reproduction cost less depreciation, and the relationship which this quantity bears to the reproduction cost is called condition per cent. If, through maintenance, the life of a property item is lengthened or its normal condition is improved, this fact is also reflected and taken care of in the appraisal by the condition per cent determined from inspection."

After giving consideration to every available factor having a bearing on depreciation, a "condition per cent" was assigned to each given property item new. This condition per cent obviously can be, and in the engineering estimates is, expressed in terms of life for purposes of computation. To illustrate again by means of the diagram above:

Assume that the condition per cent of the machine is found to be 50: expressed in terms of life, this would equal one-half of whatever life the machine might be given. Assuming that the reproduction cost of the machine (under present prices) had become $2,000 (a reasonable assumption), then a 50 per cent condition would equal $1,000. The dotted line in the diagram shows the resulting depreciation curve on the straight-line method and shows a life of 20 years with a 50 per cent condition and a reproduction cost less depreciation of $1,000.

There is, however, one other reason why the two problems can have nothing in common. Estimates of lives of existing property must, in the nature of things, be uncertain. It is a recognized fact that in most structures, tools and machines, the period between marked permanent impairment of function and complete uselessness or complete disappearance is very short as compared with the total life. Can it truly be said, however, that because a power line pole, taken out yesterday after a life of 15 years, still gave satisfactory service two weeks ago, the process of depreciation, nevertheless, did not surely (if unnoticeably), extend over the entire life of the pole? If that pole were removed because of natural depreciation only and for no other reason (and it is actual and accrued depreciation only that we are taking into consideration in this proceeding), then this must be

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true. It seems to us beyond argument that a piece of property gets less valuable with age and use when the then value is compared with what that same property would be worth without the handicap of age and use. In other words, the owner of depreciated property carries a liability that the owner of new property does not.

Other aspects of the question of depreciation, we believe, have been set forth sufficiently fully in Decision No. 6537, *supra*. In our opinion, the methods used by the Commission's engineering department in finding the accrued depreciation of this property are fair and as nearly accurate as reasonably can be expected. In this case, an unusually large amount of investigation was had to find the truth. Nothing in the proceeding on rehearing has led us to change our conclusion to adopt a condition per cent of 73 for the aggregate of the individual property items as listed in the inventory and without giving weight at this point to the general condition and efficiency of the plant as a whole as an operating unit.

The company asks that special consideration be given to the treatment of depreciation for the particular account C-20 (line transformers and devices) for the reason that for the property appraised for that account weight was given by the Commission's engineers to both inspection and life tables. Inasmuch as we are adhering to the original condition per cent of 73 without a reconsideration in detail of any particular property item for which the percentage might possibly be slightly increased or decreased, we see no reason for changing this average percentage for the property as a whole.

A condition per cent of 73 applied to the reproduction cost estimate of $64,243.44 results in a reproduction cost less depreciation of $46,897.71, say $46,898.

(c) General operating condition of plant.

The company insists that a deduction from the reproduction cost new figure as adopted by the Commission above cannot be made except for the item of accrued depreciation. A consideration of the general operating efficiency of the plant as an electrical distributing system separate and aside from the physical condition, as expressed by the condition per cent of the individual property items listed in the inventory, they insist results inevitably in a duplicate deduction for depreciation. Holding this view, they ask that we exclude from consideration the exhibit offered in evidence as Commission's Exhibit CC. On this theory, the company deals with this matter under the heading of depreciation.

The city, on the other hand, has from the beginning held to the contention that the depreciation reflected by inspection of particular property items does not establish the plant's value as an operating

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entity. Counsel for the city argues that even if the operating efficiency of the plant were treated as an additional item of depreciation, "this particular depreciation is the depreciation of the plant as a whole while the depreciation reflected by the field inspection in the first instance only applied to the depreciation of the component elements of the physical properties. In other words, Exhibit CC reflects depreciation of the sale value of the property instead of the depreciation of physical parts."

The city maintains the position that it took prior to the rehearing, viz, that the general operating condition of the plant pertains to the subject of going concern value.

We shall prefer to treat this matter separate both from the question of accrued physical depreciation and from the question of going concern value. If so treated, duplication and ambiguity will be less likely.

In Decision No. 6537, *supra*, we stated our conclusion on this matter as follows:

"* * * the condition per cent as determined in the engineering report does not touch the question of general operating efficiency of this plant as an electrical distributing system. It is conceivable that the individual property items may be in first-class physical condition, that the machinery and installations are all modern and adequate and that consequently there is no obsolescence but that nevertheless the general arrangement and operating conditions of the plant as a whole are such as to produce wasteful, inefficient and costly operation, resulting in operating costs that are above normal. Where such a condition exists * * * it cannot be denied that a physical plant will be less valuable because of such condition than it otherwise would be.

"The testimony on this point shows that the system at Redding is the result of the consolidation of two systems and that there is a certain amount of duplication in pole leads and that there are unnecessary poles. It is to be noted, however, that all of these duplications and superfluous items of property are included in the totals given above.

"It is also in the record that there is certain overhead construction on this system not in accordance with the laws and orders of this Commission governing such construction in this state. This observation is not intended as a criticism of the company but is made merely to establish the fact that considerable expenditures are necessary to remodel this plant in order to bring it into conformity with existing laws and to create safe working conditions. The city will have to incur this expense after the property is acquired. No estimate was made to show in dollars what it will cost to put this distributing system in what might be called first-class condition. It is evident to me, however, that whatever weight this factor of inferior operating conditions may have, will act as a deduction from the depreciated plant value as it has been found above."

In the original decision in this case a deduction was not made for the inferior operating condition for the reason that a reliable estimate was not available to show what the deduction should be.

In view of the company's strenuous objections to a taking into account of this factor by the Commission in any form, the Commission instructed the engineering department to prepare Exhibit CC. This exhibit is entitled "Tabulation of Condemned Portions of Redding Electrical Distribution System Showing Items Condemned, Inventory

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Value Based on Condition Per Cent, Reasons for Immediate Removal, Cost of Removal and Salvage Value." In the letter transmitting the exhibit, Assistant Engineer L. B. Cramer, who introduced it, states that the report covers "the features of the Redding electrical distribution system in regard to the operating condition of the plant as a whole, which is not taken care of in the valuation report."

The exhibit takes up item by item, and account by account, property items not in use or of reduced value because of the impossibility of making efficient operating use of them; property items inadequate for efficient service although as individual and detached items they may have a high condition per cent; items not in compliance with the provisions of the law and requiring certain expenditures to bring them into such compliance; and unnecessary or duplicate property items that will reduce the efficiency of the plant and increase operating expenses. After taking into consideration the salvage value of those items, this exhibit concludes that a total deduction of $1,347.27 should be made to allow for lessened value because of unsatisfactory operating conditions.

Counsel for the company in his brief in the rehearing, puts a wrong significance on the withdrawal by the Commission of Exhibit Z, for which Exhibit CC was substituted. Exhibit Z was withdrawn because upon analysis the Commission found that there might be a possible duplication between the physical depreciation already covered and the items considered in Exhibit Z. It is exactly this duplication that the Commission wishes to avoid in this proceeding. No such criticism can be made against Exhibit CC. The Company bases its objections to Exhibit CC on definite grounds. We will attempt, without going into too much detail, to state clearly the Commission's position as to each objection:

"(a) Elements of property to be taken by the city can not validly be stricken from the inventory upon the ground that they are unnecessary."

We do not disagree with this proposition and are of the opinion that whatever property the city of Redding specifies and desires to take over must be paid for at its full value. The objection, however, goes not to the merits of Exhibit CC. That exhibit does not purport to strike any property from the inventory. It purports merely to estimate the impairment or reduction in value of unused, unnecessary or inefficient property items in so far as the effect on the system as a whole is concerned.

"(b) It cannot competently be declared that any element of the existing properties is without use or value."

This would seem to be a question of fact and not of opinion or argument. There can be no doubt, however, that the value of a

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property may be affected adversely because there is unnecessary duplication resulting in increases in maintenance and operating costs.

"(c) The purchaser must pay for the plant to be acquired rather than for a substitutional plant."

The Commission is in agreement with this general statement and no deductions have been made anywhere and no estimates have been introduced to show cost or values of a substitutional plant.

"(d) The estimated cost of renewing or repairing portions of the plant represents a duplicate deduction for depreciation."

This point of view on which so much stress is laid by the company, throughout the proceeding has been fully dealt with, we believe, under the previous heading, "Accrued Physical Depreciation."

We are satisfied that the operating condition and efficiency of the plant as a whole must be considered and that without such consideration just compensation cannot be found. If, by reason of faulty construction or deferred maintenance, prospective operating expenses are abnormally high and reconstruction is necessary, these facts certainly vitally affect the value of the whole property, and the effect is the same upon the present owner as it is on the prospective owner; the same, in other words, upon the seller and the buyer. Such a condition, if it exists, cannot possibly be reflected in the condition per cent of the individual property items, for reasons explained above.

"(e) The estimated cost of effecting renewals or repairs is indefensibly exaggerated."

There is nothing in Exhibit CC or in the evidence to warrant that contention. On the contrary, the Commission is persuaded that the inherent difficulty of making an estimate of this nature, after comparison of operating results of the plant under consideration with a plant of reasonably high operating efficiency (the substitutional method is to be avoided) tends toward a low rather than a high estimate of deductions.

We are persuaded that we are here dealing with one of those elements where engineering estimates necessarily cannot be exact and where the Commission must exercise discretion based upon the evidence and upon its judgment. We make a deduction of $1,000 from the reproduction cost estimate less accrued depreciation because of certain proved inadequacies and inefficiencies in the general arrangement and operating conditions of the plant as a whole tending to produce abnormally wasteful, inefficient and costly operation. This deduction, we believe, is reasonable and in no sense excessive.

The sum of $46,898, heretofore found, therefore, will be reduced to $45,898.

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(d) Cost of franchises.

The cost of franchises will be allowed, as stated in Decision No. 6537, *supra,* undepreciated with $495. The sum of $45,898, reached in the previous subdivision, becomes now $46,393.

(e) Value of business, as distinguished from value of plant. (Development cost; franchise value; going-concern value.)

It is on this question—the value of the business, as distinguished from the value of the plant—that the most important issue is made by the company. There is agreement between the parties and the Commission that the three items under this head (development cost, franchise value, and going-concern value) deal with the same main subject (the value of the business as measured by the earning power) and that, therefore, they may best be considered together.

In Decision No. 6537, *supra*, the Commission reached certain conclusions and made certain findings on these items and, in the interest of a clearer understanding of the problem, it will be well to review these conclusions. The Commission concluded that

(a) franchises are property and must be paid for in condemnation proceedings;
(b) such value as may inhere in the franchises may be properly comprehended within the element of going-concern value;
(c) going-concern value, being defined as value of the business, has been recognized by the law, the courts and the authorities, without exception, and must be considered as an element in condemnation cases.
(d) it is of the greatest importance to scrutinize closely the methods used in computing going-concern value, in order that there may be no duplication and in order that proper weight may be given to all factors;
(e) development costs, which have been included in operating expenses and actually returned to the owners of the plant in rates, cannot be considered in the computation of going-concern.
(f) the element of "good will," as the term is applied to a business not a public utility, is not to be considered in estimating the value of a public utility plant for the reason, among others referred to in Decision No. 6537, that the public utility enjoys a monopoly of a particular business in the community it serves and the public has no choice but to buy from the utility or to do without such service;
(g) the theory advanced by the company for measuring going-concern value by the capitalization of profits, or a portion of the profits, is to be rejected as unsound;
(h) the only remaining element left for consideration as entering into going-concern value must consist of losses sustained during the development period of the enterprise and which have not been returned to the company in earnings during the later period of successful operation.

Based on these conclusions, the Commission held the opinion that no showing had been made by the company tending to prove the existence of development costs not returned to the company from earnings.

Counsel for the company in his concluding brief (page 9), and speaking of the Commission's opinion in Decision No. 6537 as regards the factors of franchise value, going-concern value and development cost, says this:

"It is clearly recognized in the initial report of the Commission in this case that just compensation can not be found unless the factors of franchise value, going-concern value and development cost are given their proper weight. The Commission's analysis of the problem is exact and complete. We are familiar with no opinion of court or commission which offers any clearer expression of correct principle."

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In view of this language, we may assume that the company is generally agreed with the conclusions summarized above. It is urged, however, that the award originally made by the Commission does not include an allowance for these several elements of value, and that if this result is to be ascribed in any measure to a deficiency of the record, the want has been fully supplied in the rehearing. We agree that there is now sufficient and sufficiently reliable data before the Commission pertaining to these matters to enable us to reach a decision based on fact. The essential facts and their bearing on the value of the business will be carefully considered.

(1) The question of the profitableness of the Redding distributing system.

There was controversy during the original proceeding as to the profitableness of the business of the portion of the Northern California Power Company's property located in the city of Redding. The uncertainty arising from this controversy has now been done away with. The Commission instructed its own engineers and the engineers of the company to make a joint report dealing with this matter, the instructions reading as follows:

"Submit a joint report showing, as far as possible, proper segregation of income and operating expense between the Northern California Power Company's system as a whole and the Redding distributing plant for the three years ending December 31, 1918. If, in the opinion of the engineers, agreed figures of proper segregation of the aforesaid items for the year ending December 31, 1917, are not abnormal but fairly represent a basis of determination of net income for the Redding system for that year, then the figures for that year alone may be submitted.

"In all cases * * * where agreement is not possible, the fact of disagreement shall be stated and the reasons therefor shall be given."

Two of the company's engineers and three engineers of the Commission reached a unanimous conclusion in their joint report, Commission's Exhibit BB. This exhibit shows the result of a careful analysis of the revenue and expense, item by item and account by account, of the years 1917, 1918 and 1919. Abnormalities for the year 1917 were eliminated and the business for that year may therefore be considered normal and average. The results as found in Commission's Exhibit BB were as follows:

Revenue and Expenses of Electric Service Within Corporate Limits of City of Redding—Year 1917.

1. Revenue			$38,451 92
Expenses—			
2. Operation	$3,691 36		
3. Maintenance	2,200 00		
4. Commercial expense	893 00		
5. General expense for local office	2,191 00		
6. Rent	177 12		
7. Taxes	2,340 40		
8. Cost of energy delivered into Redding system	13,982 29		
9. Pro rata of general head office expense	888 69		
10. Depreciation annuity	1,393 49		
Total expenses			27,757 35
Net return			$10,694 57

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These figures, beyond a doubt, establish two facts:

First, that in the normal and typical year of 1917 there was a net profit from the Redding distributing system, over and above operating expenses, depreciation and taxes, of $10,694.57.

Second, that the Redding plant, that is to say the plant the city seeks to acquire in this proceeding, is doing profitable business.

Company's Exhibit No. 4-A finds the development cost to be approximately $15,000. Company's Exhibit 5-A shows a development cost of approximately $11,000. Mr. Vincent, the company's third witness on the subject, concludes that the Redding business could not be developed for an expenditure of less than $15,000. It is not necessary for the Commission to express an opinion at this time as to the soundness of the basis and of the methods adopted by these witnesses in their calculation for development cost. It is clear that they use different methods and therefore reach different results. Neither is it necessary now to determine what expenses should be included and what should be excluded in order to come to a clear definition of the term "development cost." It is apparent that even the largest of the estimates (company's Exhibit 4-A—$15,319.41) is less than two years' net return as established in Commission's Exhibit BB.

It will probably be conceded that a fair return for a utility business of the nature of this one, in a city like Redding, should be in the neighborhood of 8 per cent and should, in any event, not be less than 6 per cent. If the earnings were less, they would be below the cost of money and the business could hardly be called profitable. Applying this range of fair return, therefore, to the profits, as we find them in Commission's Exhibit BB, we have the following mathematical result:

Net earnings of $10,694.57 are equal to a fair return.
At 8 per cent on a rate base or a property value of $133,682.
At 7 per cent on a rate base or a property value of $152,780.
At 6 per cent on a rate base or a property value of $178,243.

The question now is: *What is the exchange value, if any, of the condition whereby the company is at present enabled to make a profit, such as the profit indicated above, from the operation of a portion of its property, to wit, the distributing system in Redding?* And the further question: *How much money, if any, should the city of Redding pay to the company, in addition to the sum already indicated, because of the fact that in 1917, 1918 and 1919 a condition existed by virtue of which the company was able to make such profits?*

(2) The question of the capitalization of profits.

The company, on the principle that the full value of plant and business must be paid, and that such value depends primarily upon the productiveness, urges the following method and measure of going-

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concern value (quoting from company's concluding brief, page 37; italics ours):

"Following that principle and employing Mr. Sachse's assumed rate of risk (8 per cent), the capitalized annual net earnings of the Redding distributing system (shown in the joint report as evidence in Commission's Exhibit BB, to be $10,694.56) will yield a value of $133,682.12. *These figures, of course, include the value of the physical properties.* Assuming that the value of the physical properties alone is approximately $50,000, the value of the business considered separately, i. e., the going-concern value will, appear to be $83,000. There can be no escape from the conclusion that these figures fairly represent the value of the business which the city of Redding proposes to take over from the Northern California Power Company Consolidated.

It will be noted that this is capitalization of profits pure and simple. It will also be noted that if this simple method of finding value of plant and business in a "just compensation" proceeding were adopted, all effort and time spent in making and considering a valuation of the physical property, of a consideration of fair overheads, of the condition of the plant, of depreciation, of development cost and of other matters, is merely that much waste of time and effort. Under the company's proposal, where the going-concern value is simply the remainder after the plant value has been deducted from the fixed total value, it is, of course, immaterial what the plant value comes to. To illustrate by the figures found in the present proceedings: If the value heretofore found in this opinion is correct ($46,393), then this figure would be deducted from the grand total of $133,682, and the remaining going-concern value will be $87,289. It is clear that it is immaterial what the constituent parts of the total amount to if we take the total for granted.

Capitalization of income, or of profits, is a problem in elementary arithmetic. In the solution of such a problem there must always enter three factors: The amount of earnings, the rate of interest, and time. In the matter before us the amount of the earnings is known, the rate of interest is not known, and the factor of time is equally unknown. The problem, therefore, cannot be solved unless assumptions are made for the last two factors. The company assumes that 8 per cent should be taken as the interest rate. In the original hearing the company urged that 6 per cent should be taken as the rate of capitalization (if that were done the going-concern value as separated from the plant value would become $132,849 instead of $87,289 shown above).

The factor of time, in the company's conclusion, is assumed to be perpetuity. That is to say, the company expects the city of Redding to pay, in addition to the value of the plant, plus overheads, plus the cost of franchises, *for all time* an annual income of $10,694.57, being 8 per cent on $133,682.12.

The company, of course, has no assurance of any such earnings for any continuous period in the future, yet it is apparently serious in

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its contention that the city, if it buys the property, must guarantee a profit of 23 per cent, or more, on the value of the physical property, plus overheads, for all time to come. The city is expected to guarantee this profit, relieving the company from all responsibility and all risk.

If "value" means sales value, or exchange value, the question arises if it is *possible* to sell the abnormal profitableness of a public utility business. An objective view will establish the fact, we believe, that in the nature of things no such sale is possible, because in no sense can the continuity of such profits be guaranteed even for a short period of time. This is true because of the distinct characteristics of the public utility business, a character differing in essentials from competitive, nonregulated private business.

The company urges that the relation of the element of risk to the earnings, and to the going-concern value, should not be considered. Referring to the testimony of the Commission's chief engineer, Mr. Sachse, counsel for the company in his concluding brief (page 36) says:

"His conception of the so-called rate of risk has no support upon authority, so far as we can determine, and we think it is erroneous in principle * * * ."

We are unable to agree to the company's view in this matter. It does not require an extended analysis to establish beyond doubt the fact that in all business undertakings the rate of return, and consequently the profit, bears a direct relation to the amount of risk involved in the business. This is true of regulated as well as of strictly private business. This relationship is recognized and well stated by the Supreme Court of the United States in the case of *Willcox* vs. *Consolidated Gas Company*, 212 U. S. 19, 48 (italics ours):

"Such compensation must depend greatly upon circumstances and locality: *among other things, the amount of risk in the business is a most important factor*, as well as the locality where the business is conducted, and the rate expected and usually realized there upon investments of a somewhat similar nature with regard to the risk attending them. There may be other matters which, in some cases, might also be properly taken into account in determining the rate which an investor might properly expect or hope to receive and which he would be entitled to without legislative interference. *The less risk, the less right to any unusual returns upon the investments.* One who invests his money in a business of a somewhat hazardous character is very properly held to have the right to a larger return, without legislative interference, than can be obtained from an investment in government bonds or other perfectly safe security. The man that invested in gas stock in 1823 had a right to look for and obtain, if possible, a much greater rate upon his investment than he who invested in such property in the city of New York years after the risk and danger involved had been almost entirely eliminated.

"In an investment in a gas company, such as complainant's, the risk is reduced almost to a minimum. It is a corporation which, in fact, as the court below remarks, monopolizes the gas service of the largest city in America, and is secure against competition under the circumstances in which it is placed, because it is a proposition almost unthinkable that the city of New York would, for purposes of making competition, permit the streets of the city to be again torn up in order to allow the mains of another company to be laid all through them to supply gas which the present company can adequately supply. And, so far as it is given us to look into the future, it seems as certain as anything of such a nature can be, that the demand for gas will increase, and, at the reduced price, increase to a considerable extent.

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An interest in such a business is as near a safe and secure investment as can be imagined with regard to any private manufacturing business, although it is recognized at the same time that there is a possible element of risk, even in such a business."

The utility business in the case before us is essentially of the same character as the utility business discussed by the Supreme Court in the quotation above. It is a business attended with a minimum of risk, and it is not to be contemplated that a business of such a character can carry with it a guarantee of over 20 per cent profits for the distant future. And yet it is clear that a capitalization of earnings, as suggested by the company, would amount to such a guarantee.

In this connection attention should be called to the testimony of Chief Engineer Sachse, one of the Commission's witnesses, and who was also made by the city of Redding one of its witnesses. The company cites his testimony in support of its arguments for the capitalization of earnings as a measure of going-concern value. Although the Commission is certainly not bound to accept the findings or opinions of its engineers on questions so indeterminate and uncertain as the subject of going-concern value (no matter how carefully and honestly presented) and although the Commission insists that, after a consideration of all evidence, the conclusion in such a matter must in the end represent its own best judgment, it seems well to point out that in our opinion the company is mistaken in its interpretation of Mr. Sachse's testimony. He testified that all methods for measuring the value of a going business resolved themselves into a capitalization of profits. He pointed out that this method is the universally accepted method in estimating the value of strictly private and unregulated business, and he laid stress on the point that, in order to give a correct result, the rate of capitalization of the net earnings must be equal to the rate of risk attached to the business. On this theory, he testified that a business with an 8 per cent risk and net earnings less than 8 per cent has a negative going-concern value (is operating at a loss in other words), and instead of there being an addition to the value of the physical plant, there should be a deduction. If, however, according to his testimony, the present and future profits are in excess of the rate of risk, then this excess profit represents going-concern value to the extent that the continuity of the net earnings is assured for the future.

It appears to us that this view of the matter squares with the facts and might be accepted if other facts and other considerations do not change the problem. His views seem to us a correct statement of conditions for all business enterprises other than regulated public utilities. Public utilities, however, as business enterprises, are in a class by themselves with privileges and obligations differing essentially

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from other kinds of business. This is a fact so well established in practice and in law that it needs no further elaboration. What influence this fact should have on the question of capitalization of profits this witness did not discuss and, inasmuch as this legal aspect is not in any sense an engineering question, and he was testifying as an engineer, it was proper that he should not discuss this phase of the problem. The Commission, however, is confronted with this aspect, and it seems to us the determining one.

The relation that should exist between a regulated public utility and the people is well established by this time. Public utilities should not belong in the category of highly speculative business enterprises. The people have seen fit to grant to such businesses certain privileges, to wit: The right of eminent domain, a large measure of monopoly and security from the risk of ruinous competition, the surety of a fair return if the nature of the business permits the earning of such a return, and the many other advantages that spring from effective and enlightened regulation. In return, the utility is expected to forego the possibility of unusual or speculative profits and must be prepared to adjust itself to permanent good service under reasonable rates. It is the legal right of the community to take over for ownership and operation public utility plants and business from private owners upon the payment of just compensation to be fixed by an impartial tribunal.

The effect of this relation between the utility and the public is fairly well understood when it comes to the fixing of rates. The consequences of this state of affairs, however, appear not to be as clear when the public avails itself of its right to purchase a utility and when the just compensation is to be found. There is no disagreement that the just compensation must be the fair value to the owner. Can it fairly be said, however, that an award, in a lump sum, permitting in perpetuity and practically without risk a return in excess of 20 per cent on an investment in public utility represents "just compensation"? We think not. We think that the rule laid down by the United States Supreme Court in the Minnesota rate cases is applicable in a case of this nature, to the same extent that it should control in a rate case (230 U. S. p. 434):

> "The ascertainment of that value is not controlled by artificial rules. It is not a matter of formulas, but there must be a reasonable judgment, having its basis in a proper consideration for all relevant facts."

And again it seems to us that the general criterion laid down by the United States Supreme Court in the same decision (230 U. S. pp. 454, 455) should hold true in this instance, although we do not overlook the fact that the decision of the Supreme Court deals with the question of land values in a railroad rate case (it must be remem-

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bered that it is the value supposedly created by the rates charged that we are now discussing):

"The property is held in private ownership, and it is that property, and not the original cost of it, of which the owner may not be deprived without due process of law. But still it is property employed in a public calling, subject to governmental regulation, and while, under the guise of such regulation, it may not be confiscated, it is equally true that there is attached to its use the condition that charges to the public shall not be unreasonable. And there the inquiry is as to the fair value of the property, in order to determine the reasonableness of the return allowed by the rate-making power, it is not admissible to attribute to the property owned by the carriers a speculative increment of value, over the amount invested in it and beyond the value of similar property owned by others, solely by reason of the fact that it is used in the public service. That would be to disregard the essential conditions of the public use, and to make the public use destructive of the public right.

"The increase sought for 'railway value' in these cases is an increment over all outlays of the carrier and over the values of similar land in the vicinity. It is an increment which can not be referred to any known criterion, but must rest on a mere expression of judgment which finds no proper test or standard in the transactions of the business world. It is an increment which, in the last analysis, must rest on an estimate of the value of the railroad use as compared with other business uses; *it involves an appreciation of the returns from rates* (when rates themselves are in dispute) and a sweeping generalization embracing substantially all the activities of the community. For an allowance of this character there is no warrant.

"Assuming that the company is entitled to a reasonable share in the general prosperity of the communities which it serves, and thus to attribute to its property an increase in value, still the increase so allowed, apart from any improvements it may make, cannot properly extend beyond the fair average of the normal market value of land in the vicinity having a similar character. Otherwise we enter the realm of mere conjecture."

It seems to us that the theory under which it would be possible to multiply by three or four the reproduction cost less depreciation, plus overheads, plus cost of franchises, by the simple expedient of the capitalization of earnings is on all fours with the sweeping generalizations and the conjectures condemned by the Supreme Court in the last quotation. Our point of view was well stated by Judge Savage in *Kennebeck Water District* vs. *Waterville*, 97 Maine 185, 54 Atl. 6. In this case Judge Savage instructed the appraisers with reference to the capitalization of income:

"We cannot assent to the proposition that the capitalization of income even at reasonable rates can be adopted as a sufficient or satisfactory test of present value. Such a capitalization would fix at the present time a specific value which would continue for all time to come, as a fixed and unvarying source of income, no matter how conditions may be changed."

Continuing, Judge Savage said:

"And what may be reasonable rates at any given time will depend upon conditions which not only may vary, but are likely to vary. Therefore, the basis for capitalization is too uncertain to afford a satisfactory test of value."

In *National Water Works Company* vs. *Kansas City*, 62 Fed. 853, a case frequently referred to, Judge Brewer, later a member of the Supreme Court of the United States, definitely discarded the capitalization of net earnings, as a proper method for ascertaining the value

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of the property of National Water Works Company in a suit brought by National Water Works Company to enforce a contract by Kansas City to purchase plaintiff's water system.

The company on rehearing has completely changed its position both as to the method of measuring and the amount claimed for going-concern value. In the original proceeding the company undertook:

"To determine the earning capacity of the Redding distributing system as shown by its record, and the amount of such earnings in excess of what may be regarded as a minimum net return has been capitalized as an index of going-concern value. This method is supported by the authorities previously reviewed, and there can be no doubt that upon principle it constitutes a fair criterion of business value. The method is subject to criticism, as, indeed, must every other method, but until a superior alternative is devised it is entitled to receive recognition.

"In making this computation the company endeavored to be extremely conservative in order to avoid the possible criticism that an undue earning power had been attributed to the Redding plant. * * * A 6 per cent return, representing a minimum compensation, was then deducted, and the balance capitalized at 6 per cent, affords an index of going-concern value, or value of the business."

The method of computation as outlined in the preceding quotation from the brief of company's counsel, was adopted by the principal company witness, Mr. Whaley. Upon further consideration the company, itself, suggested a change of this method:

"These considerations lead us to suggest that the Commission may well adopt, as a rough measure of going-concern value in condemnation cases, the capitalization of the margin of net earnings between what may be termed a minimum rate of return and a normal rate of return. It will be recalled that precisely this measure is urged by Whitten in his discussion of franchise valuation. Such a measure would not work injustice to either the public utility or the public authority. If earnings under rates fixed by the Commission have been less than a normal return the public utility is not thereby mulcted of any portion of business value which properly should belong to it; if earnings on the other hand have for any reason been in excess of a normal return, the public authority is not required to pay for a business value measured by such excess earnings. We think that the Commission will eventually adopt some such criterion. If applied in this case, a return of 6 per cent may properly be taken as the minimum, and a return of 8 per cent as the normal, and the difference of 2 per cent between the two when related to the ascertained value of the physical properties and capitalized at an interest rate of 6 per cent might fairly be accepted as a measure of going-concern value without doing apparent injustice to any interest."

Using its own methods the company, in the original proceeding, came to a claim of development expense and going-concern value combined of $67,536. Upon rehearing the company abandons these methods. It adopts in part a theory with which it insisted to be in complete disagreement during the original hearing and which it assumes, erroneously we believe, is advocated by the Commission's chief engineer. This is the theory under which the entire value of plant and business can be ascertained at one stroke, and without any preliminaries, by merely capitalizing net earnings at a given rate per cent and letting the result equal the total just compensation. Deducting from the sum total whatever amount may be taken to represent the other elements of the property, the remainder will automatically become the measure

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of going value. Using this new method, but changing the rate of capitalization from 6 per cent used in the original proceeding to 8 per cent, a minimum for going-concern, according to the company of $83,000 remains. In addition, the company claims, under the revised estimates, a cost of developing the business ranging from $15,000 to $35,000.

We must decline to follow the latter method as well as the former.

(3) Findings of fact and conclusions on the value of the business. (Development cost, franchise, value, going-concern.)

We have in the first decision in this case (Decision No. 6537, *supra*) in considerable detail stated our views on these matters. Nothing has developed on rehearing that would lead us to change, on principle, the conclusions reached in the decision referred to. We think it is evident in law, and in fact, that the intangible quantity called business value in a regulated public utility differs in very essential particulars from that same quantity in an unregulated competitive private business. This essential difference, and, indeed, a consideration of the relation between a public utility and the people, which should rest on a permanent fairness to both sides, compels the rejection of the theory of the capitalization of profits. We adhere to that decision.

In Decision No. 6537, *supra*, we said:

"If we eliminate from consideration in going-concern value those elements of overhead costs above referred to and which already have been cared for by adding 10 per cent to the reproduction cost new, together with an allowance of 3 per cent to cover the interest on invested capital during the period of construction, and if further the element of "good will," as indicating that element of value which inhered in the fixed and favorable consideration of customers arising from an established and well-known and well conducted business is to be eliminated as indicated in the Des Moines Gas Company case (238 U. S. 164-165), *then the only remaining element* left for consideration as entering into going value must consist of *losses sustained during the development period* of the enterprise—losses which were incidental to the development period and of necessity incurred in bringing the plant into successful operation, and which have not been returned to the company in rates during the latter period of successful operation.

"All public utility enterprises go through three stages of development. First, there is the construction period. The second may be termed the development period and the third the period of profit of going concern.

"In the first or construction period all items of expense, including capital invested in the enterprise and all necessary overhead required to put the plant in condition and readiness to render service, are properly chargeable to capital account.

"The second or development period may be said to begin when construction is completed and the plant is in existence ready to operate and to produce the product to be sold.

"With most business enterprises, whether public utility or otherwise, a shorter or longer period will elapse between the beginning of operation and the time when the business will earn not only its operating expenses, its depreciation allowances, the taxes to be paid and other carrying charges, but also the return on the investment, which return will be available for the payment of interest, dividends and other surplus.

"During this period the investment for the original plant remains constant and all expenses incurred in the production and in the marketing of the commodity to be sold are charged to operating expenses. In order that customers may be rapidly found it frequently occurs that the company must undertake additional and unusual expense to defray the costs of solicitation, advertising, etc. These and other costs

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may, and often do, so increase the operating expenses during the development period that the expenses are greater than the total receipts and an actual loss occurs during this period. These losses represent an actual outlay of money on the part of the company necessarily incurred in the establishment of a successful business and while generally and more accurately referred to as 'development costs' constitute a real and a tangible element of the 'going concern' value.

* * * * * * *

"If it is to be conceded that the actual amount of money expended by a company over and above the amount of its receipts during the development period, such expenditure being necessary to the establishment of a successful business, should be considered as an actual investment in the business, then in giving proper consideration to this item it will be necessary to fix a reasonable period of time for such development. Necessarily the development period will vary with the circumstances and conditions surrounding each separate plant; upon the extent of the demand for such service, the size of the community to be served, the prosperity of the people and their desire and ability to buy. Roughly, this development period may well bear some definite relation to the time allowed for the construction of the plant. If, for example, as in this case, the time allowed for the construction of the plant is fixed at one year, it would, in my opinion, be reasonable to say that within two or three times the period allowed for construction, that is, two or three years, the company would have ample time to demonstrate whether the enterprise could or could not be made a successful going concern. If within a reasonable period of time the enterprise cannot be developed into a successful business, then the project is a financial failure and has no 'going concern' value, which attaches only to a successful business.

"In this case there is no question that the business is in successful operation. The plant has been operated successfully for a long period of years. Therefore, if in this case, we fix a period of three years for development of the business—the longest possible reasonable period that can be allowed in this case—it then remains for the company to show the extent of the actual losses necessarily incurred in the development of its business during this period, and also to show that the company after incurring such losses during the development period of its business has not later recouped itself from subsequent earnings for such losses."

The Commission is of the opinion that the rule laid down in the last sentence above quoted, in so far as it declares that the best evidence of development costs consists of showing what the costs actually amounted to during a reasonable development period, is sound and should be applied in all cases where it is possible to determine the nature and extent of actual losses, if any, during such development period.

To the contention that something over, above and in addition to the fair allowance for that amount of money expended for the purpose of bringing the nonearning physical properties to a point of earning a reasonable sum within a reasonable time should be allowed and designated as a going-concern value, we find answer in the fundamental difference between the regulated utility and the nonregulated enterprise. It is unquestionably true that there is a fundamental difference in the nature of investment of these different character of enterprises.

In the unregulated business, money may be invested under two separate and distinct theories, namely, fair and normal return on the money invested, and also because of a contemplated speculative value. At the outset, the investor may invest his money giving greater consideration to the staple investment character, or he may have greater hope of success through the speculative character of the investment, or, indeed, the two combined might be the attraction that induces the in-

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vestment. These observations relate to such enterprises as are not public utilities nor can under our law be converted into regulated utilities.

The inducement for investment in the construction of a public utility property is, however, different, and this whether or not the investor is entirely conscious of this fact at the time of advancing his money.

Regulation not only imposes certain restrictions and limitations upon utility property, but also confers certain rights and privileges upon money invested in utilities beyond that conferred upon investments in nonutility and unregulated business and thereby affords a protection other and different and more beneficial to, in many respects, the money invested in a nonregulated business.

The owner of the nonutility, and therefore nonregulated business is, under our statutory as well as under our economic laws, privileged to reap speculative profits from investments. The regulated utility is accorded the right, and it is the duty of regulatory bodies to protect the right, of a reasonable return upon investment. In addition to that, many other privileges accrue to the utility, one of especial and very substantial benefit being that of monopoly and protection against destructive competition within the territory properly served. To such benefits enjoyed by public utilities should be added the legal obligation of regulatory bodies to allow a reasonable rate, benefits denied to unregulated business.

It seems unsound and illogical that the public utility should also enjoy that benefit which is enjoyed by the nonregulated utility, namely, the speculative value, and in the last analysis it would seem that speculative value may be the proper characterization of that sum over and above the reasonable development costs hereinbefore referred to and a value which the utility claims should be allowed by reason of the success of the venture.

In this particular case, unfortunately, it is impossible to determine the actual development costs incurred in the early period of the history of the enterprise. It is of record that the books of the company long have been destroyed, and actual records are not now available. Also it is of record that several companies competed with each other in the lighting business in the city of Redding and that the plant now in existence and the business attached to it result from a merger or consolidation of these properties. In such circumstances it is clear that if the actual costs of developing the present business now could be ascertained from the books which have been destroyed, such showing would have but little value in this particular proceeding. Frankly, the Commission must declare that the rule above quoted, while perfectly sound in cases where it is possible to determine actual development costs, does not and should not apply in this proceeding.

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The situation with which we are here confronted is this:

Allowances have elsewhere been made for all elements of value entering into "going concern"—the value of the business attached to the plant—except to the extent that the one single item of "development costs" enters into the computation of "going-concern" value.

It has been established that the business now is, and for a long time has been, prosperous, and as such has a going-concern value. Allowances have been made for part of that "going-concern" value, but not for that portion of such value as may be reflected in "development costs," incurred after the construction of the plant and during the development period. "Just compensation" cannot be awarded unless all elements of value are considered and given proper weight. The extent of the actual development costs incurred during the development period cannot now be ascertained from the records of the company.

While it is in evidence that the company now is making a high rate of return on its Redding property, it cannot definitely be determined whether these later large profits have or have not wiped out all of the earlier development costs. It also must be borne in mind that the large profits which have been derived in later years from the business attached to the Redding plant have been due almost entirely to the fact that the rate which the company has been permitted to charge in Redding is a rate that has been made applicable to similar business over the entire system operated by the company in a large territory in northern California. The rate charged over the whole system yielded the company less than a normal return upon its actual investment. While under these uniform rates the city of Redding, according to the testimony in this case, in the year 1917, contributed to the total earnings of the system a larger share in proportion to the value of the distributing plant located in Redding, than did some other communities, there can be no assurance that these conditions will continue to exist indefinitely. Obviously it is as impossible to fix a separate and different rate for every community served by a utility operating in an extensive territory as it is to fix a separate and different rate for every consumer located in a given city or town. There is a certain mutuality of interests between individual consumers, and between communities as well, and the most profitable business always has and in some degree probably always will help to carry the least profitable business. But it does not follow that "fat" territory always will remain "fat" or that the "lean" always will be "lean." Conditions ever are changing, and business that in the beginning was least profitable may develop so as materially to lighten the cost to others.

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Consideration of the large profits earned in 1917 by the Redding plant and of all the circumstances surrounding such earnings, lead to these conclusions:

(a) Such earnings, in so far as they exceed normal earnings, do not constitute any element of "going-concern" value that can be capitalized.

(b) Such earnings, on the other hand, do not establish in this case the contention that early "development costs" have been extinguished by later profits, for the reason that the record is clear, that the business of the company on its system as a whole earned less than a normal "fair return," and if we concede that the owners of a utility are entitled to a fair return upon the value of the property actually devoted to the public service, it is not clear that there was available to the owners of the company any particular sum of money which could be applied to the extinguishing of early development costs incurred in establishing the Redding business.

If we look upon the Redding plant as wholly and entirely detached from all the other parts of the system so far as its earnings are concerned, it might be contended that the profits arising from the Redding business—judging from the figures of 1917 presented in evidence—had in part or wholly wiped out these early development costs. But if we take this view, then to be consistent the same view should have been taken in fixing rates, and the city of Redding should have been given a lower rate, and other communities similarly served in the same district by the same company should have been compelled to pay a higher rate. Also, if we are to hold that any considerable sums earned by the Redding plant in the later years of its operation should apply to the extinguishment of earlier "development costs," to just the extent that such moneys were so diverted, there would be a lessening of the return which the owners of the whole property would receive, which amount, as has already been stated, was below the fair return usually allowed.

This leads to the conclusion that there is in this case no showing that early development costs, if any, have been returned to the company; also that the amount of these early losses have not been definitely established, although it is probable from the nature of the business and the conditions existing at the time it was established that such development costs actually were incurred. The best that can be done in such circumstances is to make an approximation of such development costs and allow a reasonable amount therefor.

While the method which herein is suggested for determining the amount of such allowances for "development costs" is not entirely free from objections, nevertheless it is the opinion of the Commission that it is as satisfactory as any other method that has been suggested or now can be devised, and that in the main it farily represents an amount approximating the additional costs of attaching the business to the plant, to the extent that these costs are reflected in the item of development costs. The suggested method is to allow 2 per cent per annum, the difference between a normal return of 8 per cent and a

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minimum return of 6 per cent, during the assumed reasonable development period of the enterprise, which in this case has been fixed at three years.

The application of this rule would result in an increase of 6 per cent upon the figure already found of $46,393. This amount would be $2,784, and added to the previous amount would give a total of $49,177, as a final figure representing the fair value of the physical properties plus overheads and interest during construction, and including development costs, franchise value and all items entering into going-concern value.

(f) Severance damage.

The Commission maintains its position as to severance damage as it is discussed in Decision No. 6537, *supra,* except as to the third item, representing the cost of construction necessary to make the connection of circuits for the purpose of economical operation of the company's business after the Redding distributing system is taken over by the city. In the decision referred to, we suggested that the city and the company enter into a written contract providing for satisfactory arrangements as regards telephone and power lines. This suggestion was made because it is apparent that any other course will lead to duplicate construction and to a waste of labor, material, and money, which seemed unjustifiable since other arrangements were possible. We said, in the decision referred to, that in the event of failure to come to an understanding on such a contract, the city should be asked to pay the actual costs of such construction. It is now apparent that the company refuses to enter into any such arrangement under any circumstances.

The record before the Commission shows that a rearrangement of the power and telephone circuits after the sale of the Redding distributing system, in order to create the same or better operating conditions for the company's own requirements, can be effected at a cost of $623. This amount will be awarded as severance damage.

The other elements of severance claimed by the company in the original proceeding, and reiterated upon rehearing, are not present as a fact. The reasons for this finding are stated in Decision No. 6537, *supra.*

(g) Objections going to the Commission's procedure.

The company, in the application for a rehearing, avers that the Commission, through certain of its employees, produced and placed in evidence substantially all of the evidence and exhibits which were offered and presented on behalf of the applicant, the city of Redding, in this proceeding; that substantially no evidence was offered or produced on the part of the applicant; that because of this condition, the

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petitioner has been denied a fair hearing before a nonpartisan tribunal in accordance with the requirements of due process of law. The company claims that the Commmission has failed, therefore, regularly to pursue its authority under the Public Utilities Act and in particular under section 47 of said act, and that the Company's rights have been violated within the meaning of the constitution of the State of California and the constitution of the United States of America and in particular the rights secured by virtue of the fourteenth amendment to the constitution.

We do not believe that this objection merits an attempt at serious and detailed refutation by the Commission.

Section 47 of the Public Utilities Act prescribes in detail the exact procedure to be followed by the Commission in cases of this nature. The provisions of this section have been adhered to in this proceeding. Section 47, subdivision (a) of the Public Utilities Act reads as follows (italics ours):

"The Commission shall have the power to ascertain, *for each purpose specified in this act*, the value of the property of every public utility in this state and every fact and element of value which, in its judgment, may or does have any bearing on such value."

Subdivision (b) of this section deals with the detailed procedure in just compensation cases, and paragraph 4 of subdivision (b) of this section of the act provides that

"At such times and in such amounts, as may be directed by the commission, the political subdivision must pay to the commission all extra costs as determined by the commission, which extra costs the commission may incur to comply with the requirements of section 47 (b) of this act * * * ."

It is apparent, not only from the quotations given above but from the language of the entire section, that the act contemplates investigation by the Commission's own staff in all matters connected with such proceedings.

We have repeatedly made it clear that in all formal proceedings before the Commission the reports and the testimony of the Commission's employees are considered as evidence and are given whatever weight they may deserve in the Commission's opinion, in exactly the same manner as any other witnesses appearing before the Commission. It is for this reason that all reports introduced by Commission employees in formal proceedings are put in evidence and made available (wherever possible in ample time before a hearing) for all parties in a proceeding. This rule has not been departed from in this instance.

If any party to a proceeding sees fit to make a Commission's employee its own witness or to accept as a statement of its own position the report made by a Commission employee, we see no impropriety in such a procedure and can have no objection.

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It may be pointed out in this connection that the company itself, in this proceeding, has taken part in joint investigation with the Commission's staff and has accepted the reports made by the Commission's engineers jointly with company employees.

We are satisfied that investigations conducted by our staff are not conducted in a partisan spirit and are more likely to reach the facts and to get at the truth than other methods of procedure. But even if there were any doubt on that score, the utmost opportunity and latitude is given by the Commission to the parties in such proceedings to cross-examine Commission witnesses and establish the soundness or unsoundness of their contentions. How thoroughly the company has made use of this right in this case the record bears evidence.

We are satisfied, therefore, that any contention questioning the fairness of the Commission's award of just compensation, on these grounds, is altogether unfounded.

(h) Summary of just compensation.

The summary of just compensation may follow the outline used in the first decision in this proceeding and is made up of the following items:

(a) Fair value of physical properties, plus overheads, including development cost, franchise value, and going concern—$49,177.

(b) Severance damages allowing for the cost of rearrangement of the power and telephone circuits used for the company's own requirements, to create the same, or better, operating conditions as now exist in the Redding distributing system—$623.

ORDER AND FINDINGS.

The city of Redding, a municipal corporation of the sixth class, having filed with the Railroad Commission a petition setting forth the intention of the city to acquire, under eminent domain proceedings or otherwise, certain specifically described property and rights and parts and portions thereof of the Northern California Power Company, Consolidated, a public utility, and praying that the Railroad Commission fix and determine the just compensation to be paid to the Northern California Power Company, Consolidated, for said property and rights and the parts and portions thereof sought to be acquired, public hearings having been held, evidence received, and the matter having been submitted, and the Commission, after due consideration thereon, having rendered its Decision No. 6537, and thereafter a petition for rehearing on behalf of said Northern California Power Company, Consolidated, having been sought and granted and further hearings having been held and additional evidence received, briefs filed and the proceeding submitted:

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Now, therefore, the Railroad Commission of the State of California, after a full consideration of all matters presented and being fully advised in the premises, hereby orders that that portion of its Decision No. 6537 heretofore made herein, commencing at the top of page 43 of the original typewritten copy of said decision on file herein, and extending through and including all of said page 43 and down to and including the third line of page 44, containing certain specific findings as the just compensation of the property sought to be acquired, is hereby set aside and rescinded, and in lieu thereof the Commission now makes and files its written findings herein as follows, to-wit:

The Railroad Commission hereby finds the just compensation to be paid by the city of Redding for the property and rights and parts and portions thereof sought to be acquired by said city, and which are specifically set forth and described in the amendment filed on the twenty-seventh day of February, 1919, to paragraph 13 of the petition herein, to be the sum of $49,177, and said sum is hereby declared to be the just compensation as of the day on which the petition was filed herein by the city of Redding, to wit, the second day of May, 1918.

The Commission further finds that the property and rights and parts and portions thereof which the city of Redding seeks to acquire, was, at the time of the filing of the petition herein, used by the Northern California Power Company, Consolidated, in connection with other property and rights not sought to be acquired by said city, and constitutes in connection therewith a larger system used by said Northern California Power Company, Consolidated, for the generation, distribution and sale of electricity; and that by reason of the taking of said property and rights and the parts and portions thereof sought to be acquired by said city, a severance damage will result to the property and rights of the Northern California Power Company, Consolidated, which are not sought to be acquired by said city; and the Commission hereby finds the amount of said severance damage to be the sum of $623.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fourteenth day of January, 1921.

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DECISION NO. 8545.

PACIFIC RICE GROWERS ASSOCIATION,

vs.

THE ATCHINSON, TOPEKA AND SANTA FE RAILWAY COMPANY, CHOWCHILLA PACIFIC RAILWAY COMPANY, LOS ANGELES AND SALT LAKE RAILROAD COMPANY, NORTHWESTERN PACIFIC RAILROAD COMPANY, SIERRA RAILWAY COMPANY OF CALIFORNIA, SACRAMENTO NORTHERN RAILROAD COMPANY, SOUTHERN PACIFIC COMPANY, TONOPAH AND TIDEWATER RAILROAD COMPANY, WESTERN PACIFIC RAILROAD COMPANY, CENTRAL CALIFORNIA TRACTION COMPANY, OAKLAND AND ANTIOCH RAILWAY, TIDEWATER SOUTHERN RAILWAY COMPANY, CALIFORNIA NAVIGATION AND IMPROVEMENT COMPANY, CALIFORNIA TRANSPORTATION COMPANY, FARMERS TRANSPORTATION COMPANY, ISLAND TRANSPORTATION COMPANY, LAURITZEN TRANSPORTATION COMPANY, SACRAMENTO TRANSPORTATION COMPANY.

Case No. 1432.

ROSENBERG BROTHERS AND COMPANY, A CORPORATION; GROWERS RICE MILLING COMPANY, A CORPORATION; GLOBE GRAIN AND MILLING COMPANY, A CORPORATION; NATIONAL RICE MILLS, A CORPORATION; ORIENTAL TRADING CORPORATION, A CORPORATION; PACIFIC TRADING COMPANY, A CORPORATION; D. C. JACKLING, J. F. JUDGE AND A. J. McLEAN, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF PACIFIC RICE MILLS; C. E. GROSJEAN, DOING BUSINESS AS C. E. GROSJEAN RICE MILLING COMPANY; M. J. BRANDENSTEIN, MANFRED BRANSTEN AND EDWARD BRANSTEN, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF M. J. BRANDENSTEIN AND COMPANY; J. G. McNAMARA AND C. T. McNAMARA, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF NATOMA MILLING COMPANY; S. M. PHILLIPS, M. D. GREEN AND M. PHILLIPS, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF M. PHILLIPS AND COMPANY; R. KANIKOWA, O. HIROWA, R. TAPAKAS, F. J. MORIGAF AND K. POGASAKI, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF UNION RICE MILLS; K. IWAKAMI AND K. SAWADA, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF IWAKAMI AND COMPANY,

vs.

SOUTHERN PACIFIC COMPANY, A CORPORATION; THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, A CORPORATION; WESTERN PACIFIC RAILROAD COMPANY, A CORPORATION; SAN FRANCISCO-SACRAMENTO RAILROAD COMPANY, A CORPORATION; SACRAMENTO NORTHERN RAILROAD COMPANY, A CORPORATION; CENTRAL CALIFORNIA TRACTION COMPANY, A CORPORATION.

Case No. 1437.

Decided January 17, 1921.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The above entitled proceedings, Case No. 1432 and Case No. 1437, having been consolidated for purposes of hearing and decision, and after public hearings thereon said cases having been submitted and the

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Commission having rendered its decision and made its order therein on the sixth day of January, 1921, by the terms of which said decision and order certain defendants were required to desist on or before January 20, 1921, and thereafter to abstain from maintaining the rates declared by said decision and order to be unreasonable, and were further required to establish on or before the twentieth day of January, 1921, certain other rates found and declared by the Commission to be just and reasonable, and it having been brought to the attention of the Commission that an extension of time is desired by certain parties to said proceedings within which to carry out the terms of said order herein referred to; now, therefore, good cause appearing,

It is hereby ordered, that the order contained in said Decision No. 8517 herein, be modified by striking out the date January 20, 1921, wherever the same appears in said order and by substituting in lieu thereof the date February 5, 1921, as the time from and after which the defendants therein named shall desist and abstain from maintaining the rates found by said decision to be unreasonable, and as the time from and after which the defendants therein named shall establish and place in effect the rates found and declared by said decision to be reasonable.

It is hereby further ordered, that the effective date of the order contained in said Decision No. 8517 be and the same is hereby extended to February 5, 1921.

Dated at San Francisco, California, this seventeenth day of January, 1921.

DECISION NO. 8546.

IN THE MATTER OF THE APPLICATION OF ARTHUR WAGNER FOR ORDER AUTHORIZING CONSOLIDATION OF TWO WATER PLANTS INTO ONE MONTARA WATER PLANT AND ORDER AUTHORIZING INCREASE AND ADJUSTMENT OF WATER RATE CHARGES.

Application No. 5894.

Decided January 17, 1921.

M. B. Johnson, for Applicant.

BY THE COMMISSION.

OPINION.

Applicant in the above entitled matter is the owner of a water system through which water for domestic and commercial purposes is supplied to consumers in and in the vicinity of the town of Montara, in San Mateo County. The system as at present constituted consists of two separate entities which are held in one ownership and operated under one management. Applicant contends that it is to the best

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interests of the district served and will tend to more efficient operation if the two plants are consolidated and operated under one name. It is further alleged, in effect, that the present rates for service are inadequate, and insufficient to provide maintenance and operation expense, a replacement fund, and interest on the investment.

A public hearing was held in this matter before Examiner Satterwhite in Montara, of which all interested parties were notified and given an opportunity to be present and be heard.

The history of this system shows that applicant acquired one of the units of the present system from California Suburban Home Company and the other from Montara Realty Development Company. These transactions were approved by the Railroad Commission in its Decision No. 7072, dated February 5, 1920. Inasmuch as applicant owns the entire properties serving this territory, said ownership having been acquired under proper authority as indicated, and is operating the same under one management, it would appear to be to the best interest of all concerned if the properties were consolidated and operated under one name, as outlined in the application herein.

Both of these water systems were laid out in 1906 as part of the development of two real estate subdivisions. The promoters of these real estate ventures evidently expected the district to develop sufficiently to cause the operation of the water systems to be remunerative. The territory served, however, has not developed to this extent. On October 1, 1920, there was a total of approximately ten miles of mains and only some sixty-three consumers. Thus there is an average of about 850 feet of main per consumer, which in turn means an unusually large investment for each consumer in proportion to the revenue derived from operation.

The present rates charged by applicant were established in 1906 by the former owners of the separate systems. In the district served by what was formerly the Montara system, a flat rate of 75 cents per month is charged, and a meter rate of 25 cents per 1000 gallons. In the district served by the former California Suburban Home system there is a flat rate only, varying from $1 per month to $2.50 per month.

For a period, usually, of six months of the year, the entire water supply is obtained from a well, the water being pumped into a concrete lined reservoir from which it is distributed by gravity throughout the system. During the remainder of the year, sufficient water to meet the demands of the consumers is obtained from two small creeks, from which the water flows into the reservoir by gravity.

Mr. M. R. MacKall, one of the Commission's hydraulic engineers, made a field investigation of this system and presented a report and

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appraisal of the properties. The appraisement of the properties, based upon the estimated original cost, is $23,590; a replacement fund computed by the 6 per cent sinking fund method is $302, and an estimate of the reasonable future annual cost of maintenance and operation is $1,625. The total annual charges, based upon the figures given above, amount to $3,814.

The revenue received from the operation of the system since February 1, 1920, the time when the present owner acquired possession of the properties, until October 1, covering a period of eight months, is the sum of $879.

Taking into consideration all of the facts, it is apparent that applicant is entitled to receive a more compensatory remuneration from operation, but it is also apparent that a rate designed to produce the total of the annual charges set out would impose an unfair burden on the consumers. In arriving at an adjustment of the rates of this utility which will be equitable to both the company and the utility, it is necessary to take into consideration the present overbuilt condition of the system, and that it was constructed in connection with a real estate project which has not yet attained its anticipated development.

The schedule of rates established in the following order is designed to produce maintenance and operating expenses, a replacement annuity, and also provide a certain amount for return upon the investment.

ORDER.

Arthur Wagner having made application to the Railroad Commission as entitled above, a public hearing having been held thereon, and the Commission being fully informed in the matter:

It is hereby found as a fact, that the rates now charged by Arthur Wagner for water supplied to his consumers are unjust and unreasonable, in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates for such service;

And basing its order upon the foregoing finding of fact, and on the other statements of fact which are contained in the opinion which precedes this order;

It is hereby ordered, that Arthur Wagner be and he is hereby authorized and directed to file with the Railroad Commission within twenty (20) days of the date of this order, the following schedule of rates, said rates to be charged on all bills rendered to consumers on and after February 1, 1921:

Monthly Flat Rates.

For residences of six rooms or less	$1.50
For each room additional	.10
For each private bath tub	.20
For each private toilet	.20

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Stores	$1.50
Butcher shops, ice cream parlors and drug stores	2.00
For the irrigation of lawns, shrubbery and gardens: for each square yard of surface actually irrigated	.003

Monthly Meter Rates.

Minimum for ⅝ or ¾ inch meters	$1 50
Minimum for 1-inch meters	2 00
Minimum for 1½-inch meters	2 50
Minimum for 2-inch meters	3 00
For all use up to 2,000 cubic feet, per 100 cubic feet	30
All over 2,000 cubic feet, per 100 cubic feet	25

It is hereby further ordered, that Arthur Wagner be and he is hereby directed to file with the Railroad Commission within thirty (30) days from the date of this order, proposed rules and regulations for the distribution of water to consumers, said rules and regulations to become effective upon their approval by the Commission.

It is hereby further ordered, that authority be and it is hereby granted for the consolidation of the water properties owned and operated by applicant herein, into one system, the same to be operated under the name and style of Montara Water Plant.

Dated at San Francisco, California, this seventeenth day of January, 1921.

DECISION NO. 8548.

IN THE MATTER OF THE APPLICATION OF A. B. TOGNINI, G. GHEZZI AND F. DALIDIO, PARTNERS DOING BUSINESS UNDER THE NAME OF TOGNINI, GHEZZI AND DALIDIO TELEPHONE COMPANY, FOR AN ORDER AUTHORIZING THE INCREASE OF CERTAIN RATES AND CHARGES FOR TELEPHONE SERVICE NOW IN EFFECT, AND ESTABLISHING A RATE FOR THE INSTALLATION OF TELEPHONES.

Application No. 5830.

Decided January 17, 1921.

TELEPHONE SERVICE—PARTY LINES—OVERLOADING.—It is held that a telephone company can not operate party lines serving from seventeen to nineteen consumers and render adequate service and as a utility is not entitled to a reasonable return unless it does render efficient service, additional lines must be installed by applicant. Increase in rates authorized, provided, applicants will not be permitted to require subscribers to collect a charge for the use of their phones by nonsubscribers.

C. P. Kaetzel, for Applicants.

BY THE COMMISSION.

OPINION.

Applicants apply for authority to increase rates charged for telephone service in and about Cayucos, San Luis Obispo County.

A public hearing upon the application was held by Examiner Westover at San Luis Obispo, December 9, 1920.

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The telephone system owned by these applicants consists of about 25 miles of line with 107 subscribers' stations. The central office is located at Cayucos and long distance service of the Pacific Telephone and Telegraph Company is connected at this point.

Applicants' present rates are $1 per month where all equipment is owned and maintained by the applicants, seventy-five cents per month where instruments are owned and batteries supplied by the subscribers, and $3 per year for farmer line service—the subscriber owning and maintaining his line and telephone. There are but seven subscribers receiving the seventy-five-cent rate and one subscriber receiving the farmer line rate.

Applicants ask that the class of service first named above be raised to $1.50 per month and that the other classes of service be eliminated. Application is made for the establishment of a switching charge of ten cents per call for nonsubscribers, each such charge to be paid by the subscriber through whose telephone such call is made.

The estimated reproduction cost new of the system as of May 10, 1917, was found by the Commission to be $5,677.66, as shown by its Decision No. 4644 of September 14, 1917. (See Opinions and Orders of the Railroad Commission, Vol. 14, p. 73.) Applicants' books show additions to plant since then amounting to $285.40, making the reproduction cost on an historical basis $5,963.

The net operating revenue earned during the past four years, as shown by applicants' exhibits revised and corrected by data furnished by both the company and the Commission's engineer, is as follows:

	1917	1918	1919	1920 (eleven months only)
Revenue	$1,305 56	$1,376 81	$1,320 35	$1,317 17
Expense	975 48	952 71	1,098 07	1,051 71
Net operating revenue	$330 08	$424 10	$222 28	$265 46

The Commission's engineer submitted estimates of future annual revenue and expenses as follows:

Revenue under present rates	$1,354 00
Revenue under proposed rates	2,026 00
Expenses of maintenance and operation	1,222 00
Annuity for depreciation, estimated at	270 00

It will be noticed that the present rates are not sufficient to provide maintenance, operation and depreciation. The proposed rates would provide a net revenue of $534 if there are no further increases in operating expenses, or a return of 9 per cent on the investment of $5,963. There is no prospect at this time of any increase in revenue due to increase in number of subscribers. In fact, the number of subscribers has fallen off since 1917 from 129 to 107.

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The subscribers' lines composing this system are overloaded. The testimony shows that the service is inferior on some of the lines which have from seventeen to nineteen subscribers each. Good service can not be given on lines operated in this manner, and the applicants are not entitled to earn a fair return without giving good service.

Additional lines should be constructed in order to relieve those lines which are overloaded. This will result in an increase in capital investment. An estimate of the cost of the necessary construction has not been submitted to the Commission. If, after a trial of the rate authorized in the order herein, it is found that the net return is insufficient, considering the increase in capital, the applicants may then apply to the Commission for a further increase.

The attitude of the subscribers who attended the hearing was that there was no objection to an increase in rates provided good service was furnished, but some desire was expressed for longer hours of service. The present hours on weeks days are from 8:00 a.m. to 6:00 p.m. and 7:00 to 8:00 p.m., and on Sundays from 10:00 a.m. to 1:00 p.m. with service during other hours for emergency calls. It is not feasible to require longer hours on this particular system as it would necessitate a still further substantial increase in rates.

The utility did not present any evidence which would justify imposing a switching charge for nonsubscribers in addition to the subscribers and toll rates. It would not be practical to require subscribers to collect and account for such charges to be imposed upon nonsubscribers as is proposed by applicant.

The rate referred to in the order is deemed sufficient to provide unlimited service over each subscriber's station. If they desire, the applicants may establish booths and pay stations for the use of the public, and collect a switching charge, provided such charge be first included in applicants' rates filed with the Commission, and the consent of the Commission obtained.

Much trouble is experienced in furnishing service to the seven subscribers who own their telephone instruments, due to the failure of some of them to renew the batteries when necessary. A uniform rate for all should be in effect and all of the facilities should be owned and maintained by the utility. This could be accomplished through purchase from subscribers who own any interest in either lines or instruments. In the event that any subscriber should refuse to sell, the utility should have the right to charge the uniform rate notwithstanding.

ORDER.

A public hearing having been held upon the above entitled application, the matter being submitted and ready for decision:

The Railroad Commission hereby finds that the rates at present in effect by the above described utility are noncompensatory and inade-

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quate, but that a rate of $1.50 per month for first-class service is just and reasonable.

Basing its decision upon the above finding of fact and upon all of the statements of facts contained in the opinion preceding this order;

It is hereby ordered, that A. B. Tognini, G. Ghezzi and F. Dalidio, doing business under the name of Tognini, Ghezzi and Dalido Telephone Company, be and they are hereby authorized to establish and make effective a uniform rate of $1.50 per month to be charged and collected from their subscribers and patrons for telephone service at and in the vicinity of Cayucos, California.

Provided, that the authority herein granted shall not become effective until applicants shall have submitted to this Commission satisfactory evidence that sufficient additional lines have been provided to relieve present overloaded lines, and that efficient and satisfactory telephone service is being provided; nor until this Commission shall have issued its supplemental order herein setting forth that the improvements hereinabove specified have been provided.

Dated at San Francisco, California, this seventeenth day of January, 1921.

DECISION NO. 8550.

IN THE MATTER OF THE APPLICATION OF HOME TELEPHONE COMPANY OF COVINA TO MAKE AND EFFECT CERTAIN ECONOMIES, EFFICIENCIES AND IMPROVEMENTS TO ITS TELEPHONE SERVICE AND ADDITIONS TO ITS PLANT AND FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF ITS BONDS OF THE ISSUE OF 1913 TO DEFRAY THE COST THEREOF.

Application No. 6289.

Decided January 17, 1921.

F. H. Wright, for Applicant.

BY THE COMMISSION.

OPINION.

Home Telephone Company of Covina asks permission to issue, at 88.5 per cent of face value, $103,500 of its 6 per cent first and refunding mortgage gold bonds due July 1, 1943.

A public hearing in this matter was held before Examiner Westover in Los Angeles on December 29, 1920.

The company at present serves about 2,000 subscribers in Los Angeles County, in the cities of Azusa, Baldwin Park, Bassett, Covina, Charter Oak, Glendora, Irwindale, La Fortuna Farms, North Whittier Heights, Otterbein, Puente, Rowland, San Dimas, Walnut Center, Valencia

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Heights and Valley View, operating with three exchanges—one at Covina, one at Azusa, and the third at Puente. It is reported that the switchboards at these three exchanges have become congested with increased traffic and that it has become necessary to install two additional exchanges, one at Glendora and the other at Baldwin Park.

Applicant proposes to equip its exchanges with the automanual remote control system of switching apparatus with keyboard control from the Covina exchange to all outside exchanges. The proposed system of switching supplants the manual switchboard with a machine switching apparatus whereby subscribers' lines are connected and disconnected mechanically by machines with manual control.

F. H. Wright, applicant's secretary and general manager, testified that the proposed installation of machine switching apparatus will improve the character of service, making it more prompt, accurate and secret and will effect economies by reducing the number of employees in switching operations from 24 to 7, eliminate the time and expense at present required in training operators, as well as effect economies in light, heating and janitor service in outside exchanges. The effect of these economies he estimates will result in saving $10,539.84 per annum in operating expenses.

Applicant proposes to sell the $103,500 of bonds at 88½ per cent of their face value, plus accrued interest, and use the proceeds for the following purposes:

To purchase and install switching apparatus	$62,000 00
For real estate and buildings	6,000 00
For additional poles and trunk line cables	20,000 00
To reimburse its treasury on account of earnings expended for additions and betterments	3,000 00
Total	$91,000 00

The testimony shows that the installation of the new switching apparatus will replace present apparatus costing $13,600 but which has an estimated salvage value of $3,400. The difference between the estimated cost and the salvage value must be charged to applicant's reserve for accrued depreciation.

To enable applicant to install its switching apparatus, the order herein will permit applicant to use approximately $10,200 of the proceeds obtained from the sale of its bonds to reimburse its treasury on account of earnings invested in plant extensions, additions and betterments, provided that after such reimbursement, the moneys be expended to acquire and install switching apparatus referred to in this application.

Applicant reports that it will have to expend approximately $6,000 to acquire real estate and construct two 20 by 25-foot fireproof buildings for exchanges at Glendora and Baldwin Park. For poles and trunk

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lines connecting the new exchanges with the present plant, applicant estimates it will have to expend $20,000. Of this amount, $13,000 will be expended for 16,000 feet of 50-pair telephone cable and 15,000 feet of 25-pair telephone cable; and $7,000 for poles. The company has entered into no contract for the purchase of either poles or cable and intends to buy these in the open market at the most reasonable price.

The testimony shows that applicant has heretofore expended $3,397.15 for poles and cables, which are now in use. On account of this expenditure, it asks permission to reimburse its treasury in the sum of $3,000.

Applicant intends to sell its bonds to its subscribers. Mr. Wright is of the opinion that the company will encounter no difficulty in selling all of the bonds at 88½ per cent of their face value, plus accrued interest.

ORDER.

Home Telephone Company of Covina, having applied to the Railroad Commission for permission to issue $103,500 of bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue, is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Home Telephone Company of Covina be and it is hereby authorized to issue and sell on or before June 30, 1921, for cash at not less than 88½ per cent of their face value, plus accrued interest, $103,500 of its 6 per cent first and refunding gold bonds due July 1, 1943.

The authority herein granted is subject to further conditions as follows:

1. The proceeds obtained from the sale of the bonds shall be used for the following purposes:

To purchase and install switching equipment and reimburse the company's treasury on account of replacement of property, approximately	$62,000 00
For real estate and buildings, approximately	6,000 00
For additional poles and cables, approximately	20,000 00
To reimburse applicant's treasury on account of earnings expended for plant extensions, additions and betterments, approximately	3,000 00

2. Any proceeds used for the purpose of reimbursing applicant's treasury on account of replacement of property, shall be, after such reimbursement, expended for switching equipment or for other plant extensions, additions and betterments.

3. Home Telephone Company of Covina shall keep such record of the issue and sale herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General

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Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

Dated at San Francisco, California, this seventeenth day of January, 1921.

DECISION NO. 8553.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER ESTABLISHING JUST AND REASONABLE RATES FOR THE SALE OF ELECTRICITY.

Application No. 5394.

Decided January 17, 1921.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas, the authority to charge and collect a surcharge of 27 per cent in addition to established rates heretofore granted Southern California Edison Company by Decision No. 7424, dated April 15, 1920 (which surcharge never has been applicable in the territory of the former Mount Whitney Power and Electric Company), expires by limitation on January 20, 1921; and,

Whereas, this proceeding is now pending before the Railroad Commission with a view to establishing definite rates to be charged by Southern California Edison Company for electricity; and,

Whereas, the evidence before the Commission in this proceeding indicates the propriety of a partial reduction in the basis of charges now in effect in the territory supplied by Edison company other than that supplied from the former Mount Whitney company system, pending the final decision herein, and other good cause appearing;

It is hereby ordered, that Southern California Edison Company be and it is hereby authorized to charge and collect for electric service in the territory supplied by it other than that supplied from the former Mount Whitney company system, in addition to the rates set forth in its standard schedules and special contracts now in effect for such territory, exclusive of the surcharge heretofore authorized in Decision No. 7424, a temporary surcharge of 20 per cent, effective for all regular meter readings taken on and after January 20, 1921, for metered service, and effective for all flat rate service from and after January 20, 1921, which surcharge shall continue in effect until further order of the Commission.

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It is hereby further ordered, that Southern California Edison Company shall, within ten days of the date of this order, file with the Railroad Commission the surcharge herein authorized.

Dated at San Francisco, California, this seventeenth day of January, 1921.

DECISION No. 8563.

WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION,
vs.
JOSEPH SWANSBOROUGH.

Case No. 1376.

Decided January 19, 1921.

IRRIGATION SERVICE—DETERMINATION OF RIGHTS TO WATER.—When the Commission determines that a certain irrigation consumer of a utility is entitled to an additional amount of water for irrigation purposes in connection with a proceeding in which the utility is the complainant and the consumer the defendant, it cannot direct that the utility supply the additional water in question but will dismiss the complaint with the recommendation that the utility proceed to do so.

Chickering and Gregory, by *W. C. Fox*, for Complainant.
E. Fitzgerald, for Defendant.

LOVELAND, *Commissioner.*

OPINION.

The above entitled matter is a proceeding brought by Western States Gas and Electric Company asking that the Railroad Commission fix and determine the rights of one Joseph Swansborough, who is named herein as defendant, with relation to his rights to the use of certain water for irrigation.

Complainant herein is a corporation engaged principally in the business of furnishing electricity and gas to the public. It generates a large portion of the electrical energy so sold by means of its hydroelectric power development, and in connection with this it also supplies water to consumers for irrigation and domestic purposes, as a public utility. Said complainant is the owner of what is known as Summerfield ditch and water rights therefor, from which ditch water has been supplied for irrigation and domestic purposes to certain consumers, including defendant herein. However, it is alleged in the complaint that since 1912, when complainant herein became owner of the ditch in question, no new consumers have been taken on for service therefrom.

It is further alleged in effect that defendant herein, until the present complaint was instituted, had not exceeded a maximum use of water in any one year of 106 miner's inch days, and that on the twenty-third day of September, 1919, said defendant called at the office of complainant at Placerville, and demanded five inches of water additional

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to the 106 miner's inches which he had used during that season, and tendered payment therefor, which application and payment were accepted by complainant's representative.

Complainant takes the position that under its present system of operation all the water available from the Summerfield ditch, other than the total of the maximum amounts heretofore furnished to each irrigation user in any one year, is dedicated to hydroelectric development through its American River power plant, for the purpose of furnishing electricity to the public, and further alleges that if additional water is supplied for irrigation and domestic uses, the capacity and output from said power plant will be decreased in direct proportion thereto.

It appears that Western States Gas and Electric Company is furnishing water for irrigation and domestic purposes from its Summerfield ditch to some seven consumers. The Summerfield ditch is 25 miles long and approximately five cubic feet per second in capacity. Through this ditch the company diverts water from Slab Creek and the supply thus obtained is used to augment the flow of its main ditch, which diverts water from the American River, and supplies the American River hydroelectric power plant of said company in Placer County.

The Summerfield Ditch was built in the early fifties for the purpose of conducting water for placer mining, but after mining operations were discontinued, the ditch was operated for a number of years for the sole purpose of supplying irrigation use. This condition prevailed until about 1905, when the American River power plant was constructed, and thereafter the principal use of water from this ditch was for the generation of hydroelectric energy.

Defendant herein is the owner of a ranch consisting of some 340 acres. Some 79 acres have been improved and from 12 to 15 acres have been irrigated during the past few years. This land is easily susceptible of irrigation. Defendant states that he does not desire to irrigate in excess of 25 acres, but that 106 miner's inch days, which complainant claims is the maximum amount to which he is entitled, is insufficient for his purposes. Complainant takes the position that the maximum use of water in any one year by consumers results in a dedication, and thus the fact that Joseph Swansborough's highest use of water during any one year was 106 miner's inch days, is construed by complainant to establish the amount to which he is entitled. Defendant contends, however, that although he has not used in excess of 106 miner's inch days during the past year, he has theretofore used more than that amount.

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After a careful consideration of all of the facts pertaining to this case, I am of the opinion, in view of the peculiar circumstances surrounding the delivery of water to defendant herein, that the Western States Gas and Electric Company should deliver an additional five miner's inches of water to Mr. Swansborough, and I recommend to them that they proceed to do so. However, this is a proceeding brought by Western States Gas and Electric Company, and in my opinion it is not one in which that company should be directed to serve Mr. Swansborough, and I shall therefore recommend that the complaint herein be dismissed.

ORDER.

Western States Gas and Electric Company having made complaint against one Joseph Swansborough, as entitled above, a public hearing having been held and facts having been developed as outlined in the opinion which precedes this order;

It is hereby ordered, that the above entitled complaint be and it is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of January, 1921.

DECISION No. 8564.

IN THE MATTER OF THE APPLICATION OF THE CITY OF BANNING REQUESTING THE RAILROAD COMMISSION TO FIX THE JUST COMPENSATION TO BE PAID BY SAID CITY FOR THE LANDS, PROPERTY AND RIGHTS OF THE PUBLIC UTILITY DISTRIBUTING ELECTRIC CURRENT FOR LIGHT, HEAT AND POWER IN SAID CITY OF BANNING UNDER THE FRANCHISE GRANTED BY ORDINANCE No. 56 OF SAID CITY.

Application No. 4609.

Decided January 19, 1921.

VALUATIONS—ELECTRIC UTILITIES—CONDEMNATION PROCEEDINGS—FRANCHISES—CONTRACTS.—In a valuation proceeding for condemnation purposes the Commission will not allow a claim for value of a franchise held by the utility in excess of the actual cost thereof to the original grantee, nor will it allow a claim for value of a contract for power on the ground that the city, if operating the plant, could not obtain as low a contract, as the rates and contract of the company selling power wholesale are subject to the jurisdiction of this Commission and could be altered or revised at any time.

VALUATIONS—CONDEMNATION PROCEEDINGS—GOING CONCERN VALUE.—A claim by the utility for an additional $5,000 due to the fact that since service was commenced the business has not earned a reasonable return is not allowed, the Commission holding that while, if for any reason, the property is more valuable than its actual cost, the owner should not be deprived of such additional value, it would be absurd to allow the contention, in determining "just compensation," that the greater the losses incurred in a utility business the greater its value.

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The sum of $14,000 is found to be just compensation to be paid by the city of Banning for the electric distributing properties in said city operated under the fictitious name of "The Light and Power Utility."

Frank L. Miller and *James E. Barker*, for city of Banning.
Halsey W. Allen, for "The Light and Power Utility"—(Lizzie Ghriest).

BRUNDIGE, *Commissioner*.

OPINION.

The city of Banning, hereinafter referred to as the city, on May 24, 1919, filed its petition asking that the Commission, under provisions of section 47 of the Public Utilities Act, fix the just compensation to be paid by the city for all of the lands, property and rights then being used in the city of Banning, California, for the distribution and service of electric energy for light, heat and power by the public utility operating under Ordinance No. 56 of said city, granted to C. H. L. Ghriest and C. H. L. Ghriest, Jr., by the board of trustees of the city of Banning on the eighteenth day of August, 1914.

Hearings in this matter were held at Banning on September 23, 1919, and at Los Angeles on October 30, 1919, when evidence was introduced relative to the various elements of value of the property.

The property to be acquired consists of certain real estate and buildings, together with an electric distribution system located within the city and operated under the title of "The Light and Power Utility," a fictitious name. The property is owned by the estate of C. H. L. Ghriest, Jr., deceased, for which Mrs. C. H. L. Ghriest is the sole legatee and devisee and executrix of the will. The original petition of the city of Banning did not include Mrs. C. H. L. Ghriest as executrix and, at the hearing, it was stipulated by attorneys for the city and the utility that the petition be amended to include Mrs. C. H. L. Ghriest as sole legatee and executrix.

Evidence relative to the valuation of the properties which the city desires to obtain was introduced by Mr. Paul Thelen, one of the assistant engineers of the Railroad Commission, and Mr. James E. Barker, a valuation engineer employed by the city of Banning. General evidence was introduced by Mr. C. H. L. Ghriest, manager of the property.

A valuation report was submitted by Mr. Thelen. This valuation of the property is an estimate of the cost to reproduce new, and of the cost to reproduce new less depreciation of the property as of May 24, 1919. The evidence shows that the estimates were based upon an assumed construction of the property during a period of 60 days prior to the date the application was filed with the Commission, unit prices being estimated upon the basis of costs of material, labor, etc., as of that average period. The report sets forth the estimated reproduction cost of the physical property only, and does not include any intangible

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items such as development cost, going-concern value, severance damage, etc., but does include the cost of the franchise owned by the company.

A summary of the estimates is as follows:

Electric Properties "The Light and Power Utility," May 24, 1919.

Estimated cost of reproduction new	$17,950 00
Estimated cost of reproduction new, less depreciation	13,529 76

Mr. Barker testified that the inventory and appraisal submitted by Mr. Thelen had been prepared jointly by Mr. Thelen and himself; that he did not have a report to submit but concurred fully with the report submitted by Mr. Thelen.

It was stipulated by parties to the proceeding that any records which may tend to establish value which may be of record and in the files of the Commission may be considered as evidence in determining value so far as they have any relation to this proceeding.

Testimony of Mr. Ghriest was to the effect that in his opinion certain of the labor costs were below what would actually be required to do the work during the period in question and that the value of certain structures and real estate was higher than estimated. In accordance with the stipulation the Commission has had analysis made of unit costs of labor, material, etc., and such adjustment of the valuation figures, as seemed proper, has been made.

After careful analysis of the cost of construction I find that the fair estimate of the reproduction cost new and reproduction cost new less depreciation of the electric properties of Banning is as follows:

C.R.C. A/C No.	Item	Cost to reproduce new 6/24/19	Reproduction cost, less depreciation
C-1 and 5	Organization and land	$1,042 00	$1,025 00
C-14-28	Structures and equipment	15,793 00	11,545 00
C-31 and 32	Overheads	1,579 00	1,263 00
	Total	$18,414 00	$13,833 00

Mr. Ghriest urged a value of $2,000 for the franchise owned by the company. The actual cost of the franchise as shown by the records of the company was $138.50 and it is apparent that the city might grant another franchise to operate in the city at not to exceed that item. It would, therefore, appear that the present value of the franchise of $121, as given in Commission's Exhibit No. 1, is correct.

Mr. Ghriest also urged that the contract for power with the Southern Sierras Power Company also had a material value owing to its having a considerable period to run, and that it would be impossible for the city to obtain as low a contract. This claim is erroneous as the rates and contract of Southern Sierras Power Company are subject to the jurisdiction of the Commission.

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Claim was made by Mr. Ghriest that the business on his system was worth an additional $5,000 due to the fact that since service was commenced the business has not, he believes, earned a reasonable return upon the investment, and, in fact, operated at a loss during part of the period, which loss was estimated at approximately the amount claimed as the value of the business. This claim, I believe, is unsound in principle and in fact. The records of this utility are not of a nature to allow a reasonably accurate determination of the losses incurred. It is established, however, that the business has not been profitable and that the owners have not been able, by reason of circumstances apparently beyond anyone's control, to earn a fair return notwithstanding the fact that reasonable rates had been collected for the service rendered. In this proceeding we are concerned with finding the actual value of this property, in order to determine just compensation. If, for any reason whatsoever, this property is more valuable than its actual cost, the owner is not to be deprived of this additional value. On the other hand if, for any reason, the property is less valuable than it would be under more advantageous conditions, the amount of "just compensation" cannot be arbitrarily increased by assuming favorable conditions which do not exist in fact. If the Commission were to concur with Mr. Ghriest's reasoning, there would follow this absurd result: The greater the losses incurred in a utility business, the greater its value, and the less profitable the business the larger the "just compensation" to the owner. The mere statement of such a theory proves its absurdity.

It is established as a fact in this proceeding that there is no going-concern or franchise value in addition to the value of the property already discussed and I do not see how, in this case, any separate and additional allowance can be made for going-concern value.

Such additional value over and above the "bare bones of the plant" as there may attach to this property, by reason of the fact that it is an assembled plant in operation as distinguished from an aggregation of disconnected property items, is allowed in the valuation of the physical property. It will be noted that no deduction is made from the reproduction cost less depreciation estimate, inclusive of overheads, notwithstanding the fact that the operation of this assembled plant has resulted in a loss to its owner.

In view of these facts, and after a very careful analysis of all the evidence, it is my opinion that the total sum of "just compensation" for this property as of May 24, 1919, inclusive of all elements of value, is the sum of $14,000.

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I submit the following findings of fact and recommend the following form of order:

FINDINGS AND ORDER.

The city of Banning having filed with the Railroad Commission its petition to fix the "just compensation" to be paid by said city for the property and rights of the public utility distributing electric current for light, heat and power in said city of Banning under the franchise granted under Ordinance No. 56 of said city; public hearings having been held, the parties hereto having been accorded full opportunity for the presentation of evidence, this proceeding having been submitted, and the Commission being fully apprised in the premises;

The Railroad Commission hereby finds as a fact that the "just compensation" to be paid by the city of Banning to the owners of the property under consideration and operated under the fictitious name of "The Light and Power Utility" for all of the property described in Appendix "A" attached hereto and made a part of these findings, is the sum of $14,000.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of January, 1921.

APPENDIX "A."

Description of property to be acquired by the city of Banning from the owners of the public utility distributing electric current for light, heat and power in said city of Banning and operating under the name of "The Light and Power Utility," as covered in Application No. 4609.

A full and complete description of the public utility rights which it is intended to acquire is as follows:

All of the lands, property and rights now being used in the city of Banning, California, by the public utility operating under the franchise granted by Ordinance No. 56 of said city, and serving in the distribution to said city and certain of its inhabitants of electric current for light, heat and power under said franchise, together with all rights covered by said franchise, the said property being more particularly described in the report of the engineering department of the Railroad Commission of the State of California, dated September 11, 1919, and marked "Commission's Exhibit No. 1," which description in said report is hereby referred to and made a part hereof.

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DECISION No. 8569.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE CONSTRUCTION OF CERTAIN RESERVOIRS, CONDUITS AND HYDROELECTRIC PLANTS.

Application No. 6174.

Decided January 20, 1921.

Roy V. Reppy, for Applicant.

Fee and Ring, by *W. C. Ring, Jr.*, for San Joaquin Valley Public Utilities Association, Madera County Branch.

Edson Abel, for Kern County Farm Bureau.

BY THE COMMISSION.

OPINION.

In this proceeding Southern California Edison Company asks for a certificate from the Railroad Commission declaring that public convenience and necessity require the construction of certain reservoirs, conduits and power plants on the San Joaquin River and its tributary, Big Creek, in Fresno County, California. Applicant has now in operation several large hydroelectric power developments in this section and distributes electricity in the San Joaquin Valley and in southern California.

The project set forth herein is a further step in the utilization of the water power resources of this region, and includes the construction of Florence Lake reservoir, Shaver Lake reservoir, various tunnels and water conduits, additions to generating equipment in existing power plants, and the installation of several new power plants. The developments planned at this time are to be constructed during the next six years and contemplate an expenditure approximating $48,000,000. The completion of this work will add to the hydroelectric generating system of Edison company a capacity of 316,000 kilowatts and an annual output of one and one-half billion kilowatt hours.

The principal items of construction included in applicant's proposed development are as follows:

1. Florence Lake reservoir of 43,000 acre-feet capacity, located at the headwaters of San Joaquin River.

2. Tunnel eleven miles in length, connecting Florence Lake with Huntington Lake.

3. Conduit from Huntington Lake to Shaver Lake.

4. A new hydroelectric generating station known as power house 1-a, above Shaver Lake.

5. Shaver Lake reservoir of 138,000 acre-feet capacity, located on Stevenson Creek.

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6. Conduit from Shaver Lake reservoir to a generating station to be known as power house No. 2-a.

7. A new hydroelectric generating station known as power house 2-a on Big Creek.

8. A third generating unit in present power house No. 1 on Big Creek.

9. Enlargement of hydroelectric generating station known as power house No. 8.

The details of the several parts of the project are set forth at length in the record in this proceeding.

The construction of the necessary transmission lines for the delivery of the power to be generated in the developments herein proposed is not included in the present proceeding.

It appears that the demands for electricity in the territory now supplied by applicant are constantly increasing and must be met largely by the construction of new hydroelectric plants. The program herein contemplated will provide for the growth of applicant's business for an extended period in the future. The funds to be used in the construction of the facilities for the development of power herein proposed will be obtained from the sale of applicant's stocks and bonds.

The completion of the hydroelectric power developments herein proposed and the utilization of the electricity generated thereby will add substantially to the power resources of the San Joaquin Valley and southern California in supplying the constantly increasing demand for electricity for industrial, agricultural and commercial purposes.

ORDER.

Southern California Edison Company having filed with the Railroad Commission an application for a certificate declaring that public convenience and necessity require the construction of certain storage reservoirs, tunnels, conduits and hydroelectric power plants on the San Joaquin River and its tributaries in Fresno County, California, notice of hearing of said application having been published as required by this Commission, a public hearing having been held on said application and the Commission finding as a fact that public convenience and necessity will be subserved by the approval of this application,

The Railroad Commission of the State of California hereby declares that present and future public convenience and necessity require, and will require, the construction by Southern California Edison Company of hydroelectric power developments substantially as set forth in the application herein.

Dated at San Francisco, California, this twentieth day of January, 1921.

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DECISION No. 8571.

SIX-MINUTE FERRY COMPANY, A CORPORATION,

vs.

RODEO-VALLEJO FERRY COMPANY, A CORPORATION.

Case No. 1388.

Decided January 20, 1921.

APPLICATIONS TO ISSUE SECURITIES—INACCURACIES IN—ANNULMENT OF ORDER AUTHORIZING ISSUANCES OF SECURITIES.—No order of the Commission, whatever the consequence of the rescission may be, should be allowed to stand when it clearly appears, as it does in the present case, that it is predicated upon error, as the Commission has a right to expect counsel and a company's president, who signed and verified the petition, to be familiar with its contents and the facts of the case. Decisions Nos. 6280 and 6760 authorizing Rodeo-Vallejo Ferry Company to issue notes and authorizing the use of proceeds from sale of stock to pay such notes vacated and set aside.

W. H. Morrissey, for Six-Minute Ferry.

tum Suden and *tum Suden*, for Rodeo-Vallejo Ferry Company.

LOVELAND, *Commissioner.*

OPINION.

By Decision No. 6280, dated April 19, 1919, in Application No. 4431, the Railroad Commission authorized Rodeo-Vallejo Ferry Company to issue $13,000 of serial notes and execute a mortgage to secure the payment of the notes to enable it to acquire property described in the application as follows:

"All the interest of the Vallejo Land and Improvement Company and Agnes McK. Wilson in the Tide Land Survey No. Twelve (12) and in that portion of Tide Land Survey No. Seventeen (17) lying North of the Southerly line of Winchester street and South of the South line of the Sheehy property in said Tide Land, together with all of the wharf structure known as the Vallejo Land and Improvement Company wharf lying in front of said Tide Land Survey No. Seventeen (17) lying South of that portion of said wharf sold to the City of Vallejo."

The mortgage which the Commission authorized Rodeo-Vallejo Ferry Company to execute was to cover the above-described property. Both in the application and in the testimony, the property was described as immediately adjoining the wharf leased by applicants in Vallejo, and as being necessary and useful in its public utility operations.

Complainant in this proceeding alleges that the order of the Commission was obtained by misrepresentations as to the location of the land purchased and calls the Commission's attention to the fact that a portion of the land in question is not at all contiguous to the present ferry location, but is situate more than a mile and a quarter away. It is also alleged that the real purpose of the Rodeo-Vallejo Ferry Company in securing this parcel was to prevent its acquisition by the Six-Minute Ferry in order to eliminate possible competition. There is no doubt in my mind that the petition of the Rodeo-Vallejo Ferry Company in Application No. 4431 was inaccurately drawn and that

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the inaccuracy was not called to the Commission's attention at the time of the hearing, at which time the company was represented by counsel and its president called as a witness. Certainly the Commission has a right to expect counsel and a company's president, who signed and verified the petition, to be familiar with its contents and the facts of the case. If an error is made in the statement of the facts, the party making the error, rather than the Commission, because of any subsequent action it may take to rectify such error, must be held responsible. No order of the Commission, whatever the consequence of the rescission may be, should be allowed to stand when it clearly appears, as it does in this case, that it is predicated upon error. There is nothing gained by conjecturing what action the Commission might have taken had the facts, as they appear now, been presented by the Rodeo-Vallejo Ferry Company in connection with Application No. 4431.

In making application to the Commission for permission to issue notes, the ferry company made no segregation as to what notes applied to Tide Land No. 12 and which to No. 17, nor was there any segregation made of the purchase price of the properties. The order in this respect followed the application and the Commission has, therefore, no alternative but to rescind the order in toto.

In recommending that the order made in Application No. 3441 be rescinded, I am in no way interested or influenced by the controversy between complainant and defendant, and base my recommendation entirely and solely upon the ground that pertinent facts were not presented to the Commission.

I herewith submit the following form of order:

ORDER.

A hearing having been held upon the above entitled proceeding and it appearing from the evidence that the Commission's order in Decision No. 6280, dated April 19, 1919, in Application No. 4431 is predicated upon an error and that, therefore, said order should be vacated and set aside;

It is hereby ordered, that the order in Decision No. 6280, dated April 19, 1919, in Application No. 4431 be and it is hereby vacated and set aside; likewise the authority granted in Decision No. 6760, dated October 18, 1919, in so far as it permits Rodeo-Vallejo Ferry Company to use proceeds from the sale of stock to pay the notes authorized by the order in Decision No. 6280, dated April 19, 1919.

It is hereby further ordered, that the notes issued by applicant pursuant to the authority granted in said order be cancelled within thirty days after the date hereof and a report of such cancellation filed with the Commission within ten days after the cancellation of the notes.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twentieth day of January, 1921.

DECISION No. 8572.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE SALE OF ONE MILLION DOLLARS OF GENERAL MORTGAGE BONDS AND THE HYPOTHECATION OF ONE MILLION FIVE HUNDRED THOUSAND DOLLARS OF FIRST AND REFUNDING BONDS.

Application No. 6238.

Decided January 20, 1921.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8364, dated November 26, 1920, authorized Great Western Power Company of California to issue and sell at not less than 94 per cent of their face value, plus accrued interest, $1,500,000 of its general mortgage 8 per cent gold bonds, subject, among others, to the following condition:

> 2. Of the proceeds obtained from the sale of said bonds, $969,927.38 may be used by applicant to reimburse its treasury on account of the expenditures set forth in Exhibit "A", provided that all of said expenditures are properly chargeable to capital account, in accordance with the Uniform System of Accounts prescribed by the Railroad Commission for Electric Corporations; and provided further, after the reimbursement of applicant's treasury, the $969,927.38 be used to pay in part for plant extensions, additions and betterments set forth in Exhibit "B";

and

Whereas, applicant reports that it is in immediate need of additional funds to complete its Caribou development and its second transmission line, and that therefore it asks the Commission to modify the order in Decision No. 8364, dated November 26, 1920, so as to permit applicant to use the $962,927.38 referred to in Condition No. 2 of the order in Decision No. 8364, dated November 26, 1920, to pay in part for the Caribou development and the second transmission line, rather than for plant extensions, additions and betterments, and the Commission being of the opinion that applicant's request should be granted; now, therefore,

It is hereby ordered, that Condition 2 of the order in Decision No. 8364, dated November 26, 1920, be and it is hereby amended so as to permit Great Western Power Company of California to use the $969,-927.38 referred to in said condition, to pay in part the cost of its Caribou development and its second transmission line, or to pay for plant extensions, additions and betterments referred to in said condition.

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It is hereby further ordered, that the order in Decision No. 8364, dated November 26, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twentieth day of January, 1921.

DECISION No. 8578.

IN THE MATTER OF THE INVESTIGATION OF THE SERVICES OF THE PACIFIC STEAMSHIP COMPANY.

Case No. 1424.

Decided January 21, 1921.

E. S. Rigdon, for various shippers at San Simeon, Cayucos and Cambria.
McCutcheon, Willard, Mannon and Greene, by *Allan P. Matthew*, for Pacific Steamship Company.

BY THE COMMISSION.

OPINION.

This proceeding was initiated under the provisions of section 60 of the Public Utilities Act, the purpose being to ascertain the facts relative to curtailment and discontinuance of the transportation service by the Pacific Steamship Company at the ports of San Simeon and Cayucos in San Luis Obispo County.

A hearing was held by Examiner Geary in San Francisco on April 23, 1920. The testimony showed that defendant's light draught vessel, the "Homer," formerly operated on the so-called narrow gauge route, giving local service between San Francisco and points south to Santa Barbara, had been withdrawn and sold, being replaced by the steel vessel "Admiral Nicholson," of a smaller tonnage capacity, but deeper draught and less adapted to shallow ports. This resulted in complete discontinuance of service to Cayucos and a reduction of calls at San Simeon from about fifty a year to twelve. While such abridgement of service appears to have been due in part to lack of safety for vessels of the Admiral Nicholson type in making unprotected shallow ports, doubtless the more important consideration was the small tonnage available at San Simeon and Cayucos. As to the matter of danger, the testimony showed there had not been a single disaster to shipping at either port within the last forty years. The light tonnage handled is graphically shown by the following statement, representing the first eight months of the year 1919, the figures being taken from carrier's Exhibit No. 1, submitted at the hearing.

	San Simeon		Cayucos	
	Outbound	Inbound	Outbound	Inbound
Total tonnage	351.0	486.6	404.6	407.7
Average per month	43.8	60.8	50.6	50.9

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To explain further the attitude of defendant in desiring to withdraw from an unremunerative service, attention was directed to this Commission's Decision No. 6796, dated October 27, 1919, Application No. 4987, in which it was pointed out that the gross earning of the Steamship Homer for the first seven months of 1919 amounted to $62,406.21, as against a direct operating expense of $82,562.61, revealing a net loss of $20,156.40. This result takes no account of overhead expense, estimated at approximately $8,000 for the same period.

From the above showing, both as to tonnage at ports involved and as to earnings and expenses on the route as a whole concerning which the supporting testimony was not controverted, there would appear to be substantial grounds for a reduction in the service.

Having in mind all the circumstances surrounding this service, the Commission suggested that the defendants and protestants confer on the feasibility of a compromise, whereby the Pacific Steamship Company will undertake to afford to the safer of the two ports, which are no great distance apart, a maximum of service consistent with the tonnage available.

Protestant indicated that as to San Simeon two port calls a month would probably be sufficient to take care of the tonnage offered, and the company agreed to give this service if a minimum of 50 tons of freight could be guaranteed. At Cayucos there has been no service since October 1919, the company claiming it would be hazardous and impracticable to undertake to resume this service with its present steamer, to say nothing of the increase to its operating deficit.

In consideration of the foregoing statements it is the conclusion of the Commission that the evidence as to amount of tonnage offered and cost of operating the service does not justify an order at this time requiring any increase in the service above that agreed upon by the parties.

ORDER.

The Commission having, on its own motion, instituted an investigation into the action of Pacific Steamship Company in the matter of curtailing and discontinuing service at the ports of San Simeon and Cayucos, San Luis Obispo County, a hearing having been held thereon, and satisfactory agreements and understandings having been reached on the matters involved;

It is hereby ordered, that the said action be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-first day of January, 1921.

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DECISION NO. 8579.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO ISSUE AND SELL 100,000 SHARES OF ITS COMMON CAPITAL STOCK OF THE PAR VALUE OF $100 EACH.

Application No. 6426.

Decided January 24, 1921.

Roy V. Reppy, for Applicant.

BY THE COMMISSION.

OPINION.

Southern California Edison Company asks permission to issue and sell at not less than $90 per share $10,000,000 (100,000 shares) of its common capital stock.

In Exhibits "3" and "4" filed in Application No. 6425, applicant reports that up to November 30, 1920, it expended for additions and betterments the sum of $8,099,260.69. The engineering department of the Commission has checked these expenditures and finds them to be reasonable. In Decision No. 8539, dated January 12, 1921, in Application No. 6424, the Commission authorized applicant to pledge $3,000,000 of bonds to secure $2,000,000 of short term notes and use the $2,000,000 to finance in part the expenditures reported in Exhibits "3" and "4." Deducting the $2,000,000 from the $8,099,260.69, leaves a balance of $6,099,260.69 to be financed through subsequent issues of stock, bonds or notes. The testimony shows that applicant estimates its expenditures for hydroelectric development during 1921 at $8,000,000 and expenditures for general additions and betterments to take care of the ordinary increase in its business at $4,000,000 to $6,000,000. To permanently finance properties already constructed and to carry forward its construction program during 1921, applicant reports that it will have to raise approximately $18,000,000, in addition to the $2,000,000 which it intends to secure through the deposit of bonds.

ORDER.

Southern California Edison Company having applied to the Railroad Commission for permission to issue $10,000,000 of common stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or acquired through the issue of such stock is reasonably required by applicant and that the expenditures, which are herein authorized and which may be hereafter authorized, are not in whole or in part reasonably chargeable to operating expenses or to income;

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It is hereby ordered, that Southern California Edison Company be and it is hereby authorized to issue $10,000,000 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold by applicant for not less than $90 per share.

2. Of the proceeds realized from the sale of the stock, not exceeding $6,099,260.69 may be used by applicant to finance in part the cost of the plant extensions, additions and betterments referred to in Exhibits "3" and "4" in Application No. 6425, or for such other purposes as the Railroad Commission may authorize in a supplemental order or orders.

3. The remainder of the proceeds obtained from the sale of the stock shall be deposited in a special fund and expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders.

4. Southern California Edison Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will apply only to such stock as may be issued and sold on or before November 30, 1921.

Dated at San Francisco, California, this twenty-fourth day of January, 1921.

DECISION No. 8582.

IN THE MATTER OF THE APPLICATION OF MOORE PARK WATER, LIGHT AND POWER COMPANY, TO EXECUTE AND DELIVER MORTGAGE TO SECURE EXISTING INDEBTEDNESS AND TO EXECUTE AND DELIVER NOTE OR NOTES AND MORTGAGE TO SECURE ADDITIONAL LOANS AND FOR AUTHORITY TO INCREASE ITS RATES AND SCALE OF CHARGES TO PATRONS FOR SERVICE.

Application No. 6028.

Decided January 25, 1921.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

On December 20, 1920, the Railroad Commission issued its order (Decision No. 8449) in the above entitled matter, said order containing, among other things, a certain schedule of rates to be charged for water delivered by Moore Park Water, Light and Power Company to its consumers.

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And it now appearing that by reason of the fact that said schedule of rates is found to contain certain errors and omissions, and it being necessary to establish a proper schedule;

It is hereby ordered, that that portion of this Commission's order in Decision No. 8449, dated December 20, 1920, which relates to the filing and charging of rates, be and it is hereby rescinded and set aside, and in lieu thereof,

It is hereby ordered, that Moore Park Water, Light and Power Company be and it is hereby directed to file, within twenty (20) days of the date of this order, the following schedule of rates, said schedule to supercede any and all rate schedules of said company now on file with the Commission and to be and become effective for all service rendered subsequent to February 1, 1921:

Monthly Measured Rates.

Readiness-to-serve charge	$0 50
Monthly quantity rates:	
For use from 0 to 600 cubic feet, per 100 cubic feet	35
For use over 600 cubic feet, per 100 cubic feet	30
For street sprinkling, per 100 cubic feet	05

No readiness-to-serve or minimum charge to apply to street sprinkling.

Monthly Flat Rates.

Monthly flat rates	$1 75

It is hereby further ordered, that in all other respects said Decision No. 8449 in this proceeding shall be and remain in full force and effect.

Dated at San Francisco, California, this twenty-fifth day of January, 1921.

DECISION No. 8584.

THE PEOPLE OF THE STATE OF CALIFORNIA EX REL. TOWN OF TEHACHAPI, A MUNICIPAL CORPORATION,

vs.

SOUTHERN PACIFIC COMPANY, A CORPORATION.

Case No. 1482.

Decided January 25, 1921.

GRADE CROSSINGS—WYE TRACKS—IMPROVEMENT OF.—To eliminate in so far as possible the danger in operating engines over wye tracks across the state highway near the town of Tehachapi, defendant is directed to plank or pave between its rails and one foot on either side thereof, to dim headlights and flag all locomotives over such crossing at a speed of not to exceed five miles per hour, and the county of Kern or others to pave such highway for a distance of eighteen feet on either side of rails.

Phil Marx and *Ferd Snyder, Jr.*, for Complainant.
Frank B. Austin, for Southern Pacific Company.

BY THE COMMISSION.

OPINION.

The town complains of existing Y tracks of defendant crossing the county highway at the summit of Tehachapi Mountains about two

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miles south of the town of Tehachapi, and prays that it be removed to the opposite side of the main line. It is alleged that the Y as located, maintained and operated is dangerous to the traveling public, and the cause of numerous accidents to persons and property. The answer puts these allegations in issue.

A public hearing in the case was held by Examiner Westover at Tehachapi.

The highway in question is one of two main routes of travel between Bakersfield and Los Angeles. At the point in question the railroad and highway are adjoining and extend east and west. The Y consists of two tracks, each leaving the main line on a curve southerly crossing the highway diagonally and meeting in a single track extending a short distance north and south, at right angles to the main line. It is used for turning helper locomotives so that they may return to Bakersfield after helping trains up the heavy mountain grade. Those used in helping trains up the grade from Mojave northbound do not use the Y in question, but turn at a Y at a point about eight miles farther south.

At the point where the Y tracks complained of cross the highway the latter is not paved. Travel wears the soil away from the rails, leaving a depression on each side of each rail a foot or two wide and a few inches lower than the top of the rails. The result is that wagons particularly, and some automobile trucks, skid or slide laterally when crossing the tracks, which extend diagonally across the highway.

A great deal of confusion and danger to travel at night along the highway is caused by the glare of headlights on locomotives upon or near the Y and by shadows caused by standing trains or cars, as many as seven such headlights being in operation in that location at one time. The glare of headlights on locomotives standing on the main or passing tracks, or moving onto either leg of the Y, temporarily blinds motorists approaching on the highway, sometimes obscuring other locomotives crossing the highway.

As a result of complaints and accidents on or near the Y, defendant has ordered locomotives to stop before passing onto the Y, and has lately required such locomotives to carry lights on the rear of tenders. All movements of locomotives over the Y are very slow.

Defendant owns the land on which the highway is located at this point. The county offers to provide sufficient land for the Y on the opposite side of the track if defendant will deed to it an equal amount of land on which the highway and the present Y is located, but it and the town object to paying any portion of the cost of removal of the present Y or its rebuilding. The cost of the work, which is practically prohibitive, is estimated by defendant's engineers to be about $17,500, without

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providing for the purchase of the land. An automatic warning bell is not adapted to a situation of this kind for the reason that it would continue ringing at times when trains were stationary in the vicinity of the crossing, but not actually approaching the intersection.

The testimony shows, however, that the danger caused by the depression near the rails can be obviated by proper planking and paving, and that the glare of the lights can be prevented by dimming or extinguishing them when moving on or near the Y.

Defendant moved to dismiss upon the ground that, as the locality under consideration is two miles out of town in Kern County, and not within the town's limits, it is not a proper party to bring the action. It was stipulated at the hearing that the county might later intervene or be substituted as complainant if it so determined. Alhough the county is not a party to this proceeding, it has advised that it will cooperate with the defendant and assist in the proper planking and paving of the crossing if defendant will operate its locomotives over the highway in the manner described in the order.

ORDER.

A public hearing having been held in the above entitled case, and it being submitted and now ready for decision;

It is hereby ordered, that defendant construct and maintain, in connection with its Y tracks across the county highway, at a point about two miles south of Tehachapi, Kern County, planking or planking and paving between the rails composing said Y tracks, and for a distance of one foot on each side of the outer rails thereof, of a height flush with the top of said rails; that its locomotives when moving over said highway shall not exceed a speed of five miles per hour; that each of said locomotives shall carry a warning light upon its pilot and upon the rear or tender, or, in lieu thereof, that it shall be preceded by a human flagman displaying a flag or light; and that locomotives moving along its right of way in the vicinity of said Y tracks shall have their headlights dimmed or extinguished when in such position that travelers on the highway approaching said Y tracks might otherwise be confused or temporarily blinded by said headlights.

That portion of this order relating to planking or planking or paving about said Y tracks is made upon the condition that the county of Kern or others shall, at the same time, pave a portion of said highway not less than 18 feet wide extending between the two points of said highway where the respective outer rails of said Y tracks cross the outer line of said 18-foot paved roadway.

It is hereby further ordered, that the cost of constructing and maintaining the planking or planking and paving between said rails and for a distance of one foot outside thereof, and of operating its

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locomotives in the manner hereinabove described is to be borne by defendant, but no part of the cost of paving said highway is to be borne by defendant.

The Commission reserves the right to make such other and further order relative to the subject matter of this order as to it may seem right and proper or which, in its judgment, public convenience and necessity demand.

Dated at San Francisco, California, this twenty-fifth day of January, 1921.

DECISION No. 8585.

IN THE MATTER OF THE APPLICATION OF BAKERSFIELD WATER WORKS, FOR AUTHORITY TO PURCHASE ALL THE PROPERTIES OF BAKERSFIELD WATER COMPANY AND ALSO FOR AUTHORITY TO ISSUE SIX HUNDRED SHARES OF CAPITAL STOCK AND BONDS OF THE PAR VALUE OF NINETY THOUSAND DOLLARS.

Application No. 5551.

Decided January 25, 1921.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7499, dated April 30, 1920, authorized Bakersfield Water Company to sell free and clear of all incumbrances its properties to Bakersfield Water Works and to receive in payment $60,000 in stock and $61,000 in cash; and

Whereas, applicant has filed in the above entitled matter a supplemental petition wherein it requests a modification of the order so as to permit Bakersfield Water Works to receive the current assets and assume the current liabilities of Bakersfield Water Company; and

Whereas, it appears that unless this is done, Bakersfield Water Works is without any working capital and must incur liabilities for the purpose of securing such capital, and the Commission being of the opinion that applicant's request should be granted; now, therefore,

It is hereby ordered, that the order in Decision No. 7499, dated April 30, 1920, be and it is hereby modified so as to permit Bakersfield Water Works to receive the current assets and assume the current liabilities of Bakersfield Water Company.

It is hereby further ordered, that the order in Decision No. 7499, dated April 30, 1920, as amended, shall remain in full force and effect, except as modified by this second supplemental order.

Dated at San Francisco, California, this twenty-fifth day of January, 1921.

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DECISION NO. 8586.

IN THE MATTER OF THE APPLICATION OF MANUEL J. SIMAS FOR AN ORDER AUTHORIZING INCREASE OF WATER RATES.

Application No. 6134.

Decided January 26, 1921.

L. A. Enos, for Applicant.
Albert Nelson, for certain protesting consumers and *in propria persona*.
A. E. Campbell, for Fay Water Company.

BY THE COMMISSION.

OPINION.

Manuel J. Simas, applicant in the above entitled matter, owns and operates a public utility water system which supplies water for domestic purposes to the inhabitants of Avila, San Luis Obispo County. The application in this proceeding alleges in effect that the present rates do not yield sufficient revenue to provide operating expenses, depreciation and a fair return upon the investment, and the Commission is accordingly requested to establish an increased schedule of rates.

A public hearing was held in this matter before Examiner Westover at San Luis Obispo. All interested parties were notified and given an opportunity to be present and be heard.

The present water supply for the system in question is purchased through a metered connection, at the rate of 20 cents per 1000 gallons, from the Fay Water Company, a public utility engaged in supplying water to various consumers and the wharves situated at or near Avila. The Fay Water Company obtains its water from wells and also by gravity. As the water is not delivered to applicant at sufficient pressure to reach the storage tanks, a booster pump or an auxiliary windmill is used for this purpose. Applicant's storage facilities consist of two redwood tanks having a total capacity of 26,000 gallons, from which the water is distributed to consumers by gravity. There are four shallow wells on this system which may be used in cases of emergency.

At present water is sold under flat rates ranging from $1 for small houses occupied by one individual, to $1.75 per month for larger residences. On November 1, 1920, there were 45 consumers.

A report was submitted by Mr. M. R. MacKall, one of the Commission's hydraulic engineers, which shows an appraisement of this plant based upon the estimated original cost, amounting to $3,419, an annual replacement fund, computed by the 6 per cent sinking fund method, of $56, and a reasonable allowance for maintenance and operation expenses of $1,450. No appraisal of the water utility property of this plant was submitted by applicant.

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A consideration of the evidence leads to the conclusion that the estimates submitted are fair, and they will be used for the purposes of this proceeding. Following is a summary of the annual charges outlined above:

Return on $3,419 at 8 per cent	$274 00
Replacement fund	56 00
Maintenance and operation	1,450 00
Total	$1,780 00

The revenue collectible during 1919 was the sum of $945. However, the evidence presented during the hearing indicated that lax methods prevail with relation to making collections and that this condition is responsible for failure to collect a large percentage of available revenues. It appears that the adoption of a more aggressive and efficient policy of plant management would greatly reduce the present waste of water, reduce operating expenses and be the means of materially increasing the revenue and improving the service.

Considering the probability of a normal annual increase in population, and the more remunerative income to be derived from efficient and judicious management of the system, it appears that the schedule of rates set out in the following order, while not designed to produce the entire amount of the annual charges which the investment appears to warrant, will result in an increase in revenue and a fair rate to the consumers for the service rendered.

ORDER.

Manuel J. Simas having made application to the Railroad Commission as entitled above, a public hearing having been held and the Commission being fully apprised in the matter:

It is hereby found as a fact that the rates now charged by Manuel J. Simas for water supplied to his consumers are unjust and unreasonable, in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates for such service.

And basing its order on the foregoing finding of fact and on the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered by the Railroad Commission of the State of California, that Manuel J. Simas be and he is hereby authorized and directed to file with the Railroad Commission, within twenty days from the date of this order, the following schedule of rates for water

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delivered to his consumers in Avila and vicinity, said rates to be charged on all bills rendered subsequent to February 1, 1921:

Monthly Flat Rates.

Residences of 3 or more rooms	$2 00
Residences of less than 3 rooms	1 50
Bath tubs, each	25
Private toilets, each	25
Private garages, provided with a water tap	50
Stores	2 00
Hotels	3 00
School buildings	3 00
Public water troughs	3 00
Irrigation of lawns, gardens and shrubbery, for each square yard of surface actually irrigated	01
For each cow or horse	25

Monthly Meter Rates.

Monthly minimum, for 300 cubic feet or less	$1 50
Next 700 cubic feet, per 100 cubic feet	45
For all over 1000 cubic feet, per 100 cubic feet	40

And it is hereby further ordered, that Manuel J. Simas file with the Railroad Commission, within thirty days from the date of this order, rules and regulations governing service to his consumers, said rules and regulations to become effective as corrected and amended upon their acceptance for filing by the Commission.

Dated at San Francisco, California, this twenty-sixth day of January, 1921.

DECISION No. 8587.

IN THE MATTER OF THE APPLICATION OF PUENTE CITY WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING AN INCREASE IN RATES.

Application No. 5892.

Decided January 26, 1921.

WATER RATES—INCREASES IN LIMITED BY VALUE OF SERVICE.—Where a water utility such as applicant is spread over a large area of sparsely settled territory requiring approximately 185 feet of main pipe for each consumer served, to fix rates which would provide a revenue equal to annual charges would impose an undue burden on consumers and the utility must wait until such time as its territory has been more fully developed before it can expect to earn a full return upon its investment. Revised schedule of rates established to become effective for service rendered subsequent to February 1, 1921.

Thomas C. Ridgway, for Applicant.

BY THE COMMISSION.

OPINION.

Puente City Water Company, applicant in the above entitled proceeding, is a public utility water company located at Puente, Los Angeles County, California, and engaged in the business of selling and distributing water for domestic and irrigating purposes to consumers in that vicinity.

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In this proceeding applicant asks for authority to increase its rates for water, alleging in effect that the present rates do not produce a sufficient revenue to provide maintenance and operating expenses, replacement fund and a fair interest return on the investment.

The present rates of this utility were established by the Railroad Commission in its Decision No. 4520, in Application No. 2839, dated August 7, 1919, *In the Matter of the Application of Puente City Water Company for an order authorizing an increase of rates* (Vol. 13, p. 659, Opinions and Orders of the Railroad Commission of California), to which decision we hereby refer for the schedule of rates and other pertinent matter relating to the history of this company and its early operations.

A hearing was held in the present proceeding before Examiner Westover at Puente, of which all interested parties were notified and given an opportunity to be present and be heard. Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, submitted a report and appraisal of the system showing the estimated original cost of the used and useful properties of this utility to be $23,383 and a replacement annuity computed by the 6 per cent sinking fund method of $409.

Estimates of maintenance and operating expenses were submitted by both the applicant and the Commission's engineer. The figures for this item are not greatly at variance, and from the testimony presented it would appear that the sum of $5,099 is a reasonable figure for this item.

The following is a summary of the elements going to make up the reasonable annual charges of this utility:

Interest on $23,383 at 8 per cent	$1,871 00
Replacement fund	409 00
Maintenance and operating expenses	5,099 00
Total	$7,379 00

The revenue produced by rates in 1919 was $3,192.18. Obviously this sum is inadequate to meet the annual charges outlined above, but attention is directed to the fact that the system of this utility covers a large area of sparsely settled territory, requiring approximately 185 feet of main pipe line for each consumer served. There are some 170 consumers on the system at the present time, and to require this number to return in the form of rates a revenue equal to the annual charges in the above tabulation, would be to impose an undue burden and possible hardship.

However, the district served is developing, as is evidenced by the addition of some fifteen or twenty new consumers during the past year. It is fair to assume that this development will continue and that in consequence the utility will receive increased revenue.

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After careful consideration of all the facts relating to this matter, a rate schedule is established in the following order which is designed to yield a larger income to applicant and is fair to the consumers.

ORDER.

Puente City Water Company having made application to the Railroad Commission for authority to increase its rates, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates now charged by Puente City Water Company for water delivered to its consumers are unjust and unreasonable, and the rates herein established are just and reasonable rates to be charged for such service.

And basing its order on the foregoing finding of fact and on the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered, by the Railroad Commission of the State of California, that Puente City Water Company be and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, the following schedule of rates, said rates to supersede any and all rate schedules of said company heretofore on file and be charged for all service rendered subsequent to February 1, 1921, on which date the following schedule shall be and become effective:

Domestic Meter Rates.

400 cubic feet or less per month	$1 25
From 400 to 1000 cubic feet, per 100 cubic feet	25
From 1000 to 5000 cubic feet, per 100 cubic feet	20
All in excess of 5000 cubic feet, per 100 cubic feet	15

Flat Rates.

(1) Monthly flat rate for residences, boarding houses, tenements and flats of five rooms or less with bath and toilet	$1 50
For each additional room	25
Additional for each private garage and one automobile	25
For each additional automobile	25
Additional for private barn, not more than two horses or cows	50
For each additional horse or cow	20
(2) Sprinkling or irrigation of lawns, shrubbery, trees, garden, etc., per square yard	002

Irrigation Rates.

Water served through high line, per hour for capacity of pump	$2 00
Water served through low line, per hour for capacity of pump	1 25

Dated at San Francisco, California, this twenty-sixth day of January, 1921.

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DECISION No. 8588.

IN THE MATTER OF THE APPLICATION OF O. L. SWETT AND JOSE FIGEROA FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AN AUTOMOTIVE TRUCK LINE FOR FREIGHT SERVICE BETWEEN OAKLAND AND SAN JOSE.

Application No. 4968.

IN THE MATTER OF THE APPLICATION OF JOSE FIGEROA FOR AN ORDER GRANTING PERMISSION TO TRANSFER AND SELL ALL HIS RIGHT, TITLE AND INTEREST IN AND TO THE AUTO TRUCK FREIGHT LINE BETWEEN OAKLAND, SAN JOSE AND INTERMEDIATE POINTS, AND FOR PERMISSION TO DISCONTINUE HIS CONNECTION WITH SAID SERVICE, AND APPLICATION OF O. L. SWETT FOR AN ORDER GRANTING PERMISSION TO PURCHASE SAID INTEREST IN SAID FREIGHT LINE AND TO OPERATE THE SAME HEREAFTER.

Application No. 6293.

Decided January 26, 1921.

CERTIFICATES—AUTO STAGE LINES—DELAY IN COMMENCING OPERATION.—A delay of approximately one year in commencing operation of an automobile truck line after the certificate has been granted, which certificate contained no specific time limit in which operation must be commenced, will not work to the annulment of such permit when the delay was due to reasons beyond the control of the operator and conditions are shown not to have materially changed since the granting of such certificate.

H. H. McPike, for O. L. Swett.

H. A. Encell, for Oakland-San Jose Transportation Company, Protestant.

L. N. Bradshaw, for Southern Pacific Company, Protestant.

BY THE COMMISSION.

OPINION.

Under date September 17, 1919, O. L. Swett and Jose Figeroa, doing business under the fictitious name of S & F Auto Truck Freight Line, filed Application No. 4968 for a certificate of public convenience and necessity to operate an automotive truck line as a common carrier of freight between Oakland and San Jose.

Under date September 8, 1919, by Application No. 4941, G. F. Nissen and A. C. Woodward, doing business under the fictitious name of the Oakland-San Jose Transportation Company, also filed a petition for a certificate to operate a similar freight service between the same points. The applications were heard jointly before Examiner Handford at Oakland on September 30, 1919, and by Decision No. 6758, dated October 18, 1919, both applicants were granted certificates of public convenience and necessity to operate between the points mentioned.

The Oakland-San Jose Transportation Company, Nissen and Woodward, filed Local Freight and Express Tariff No. 1, C. R. C. No. 1, on December 30, 1919, commenced operations about that date and have since continued to operate without interruption.

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The S & F Auto Truck Freight Line, Swett and Figeroa, filed Freight Tariff No. 1, C. R. C. No. 1, October 26, 1920, to cover the service commenced on October 18, 1920, which service, it is claimed, has been continuous since that date and is now patronized by a large number of shippers.

The certificates issued October 18, 1919, as per Decision No. 6758, to both of these organizations specified no time limit within which the operations were to begin and, therefore, had there been no protest the commencement of service by Swett and Figeroa on October 18, 1920, would have been regular under the authority given.

Under date November 10, 1920, by Application No. 6293, Jose Figeroa made application to the Commission for authority to sell his interest in the freight line to his partner, O. L. Swett, the consideration in the bill of sale being set forth as the sum of $1.

A protest was filed December 1, 1920, by the Oakland-San Jose Transportation Company, A. C. Woodward, owner, against the operation by Swett and Figeroa of the service between Oakland and San Jose, and also against the granting of Application No. 6293, wherein Figeroa sought authority to transfer his operative rights to his partner, O. L. Swett. This protest alleged, among other things, that an unreasonable length of time had elapsed before the service was commenced; that the Oakland-San Jose Transportation Company had been in continuous operation since its certificate was granted in 1919; had made a large investment in the business and would be damaged if the competing company were permitted to continue its service; also that O. L. Swett intended to immediately resell the operative rights to other parties, and that the investment of the Oakland-San Jose Transportation Company was in excess of $20,000.

Under date December 11, 1920, the Commission issued its order citing O. L. Swett and Jose Figeroa to appear and show cause why, by reason of their failure to begin operations within a reasonable time, the certificate granted under date October 18, 1919, by Decision No. 6758, in Application No. 4968, should not be revoked.

Public hearings on these two applications were conducted by Examiner Geary at San Francisco December 23, 1920, and January 13, 1921. The proceedings having been duly submitted are now ready for a decision. Exhibits were filed by applicants showing the revenue and expenses from October 18 to December 31, 1920, as well as a list of some 200 shippers who had given tonnage to the trucks and a number of witnesses were produced—patrons of the auto truck—who testified that they had found the service a necessity and urged that its continuance be permitted. Applicant, on his own behalf, testified that the certificate was originally secured in good faith, but that the commencement of operations was delayed because of a severe illness to

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himself and difficulty experienced in securing the necessary finances; that the investment in truck and equipment now amounts to approximately $2,500, also that much of the tonnage handled is new traffic and, therefore, resulted in no injury to the line operated by A. C. Woodward.

Testimony of applicant Swett was to the effect that he had no intention of transferring the certificate to outside parties, but was organizing a corporation, in which he would own practically all of the stock to which the operative rights secured by Decision No. 6758 would be transferred. It was further shown that the Oakland-San Jose Transportation Company has not a total investment of $20,000, but that the value of their automobiles and equipment is very much less.

Protestant, Southern Pacific Company, presented exhibits giving the tonnage handled between Oakland and San Jose, also the schedule of its freight trains, and presented a number of petitions from merchants and individuals located at San Leandro, Hayward, Niles and Milpitas, who protested the operations of the S & F Auto Truck Freight Line. Many of the signers of these petitions objecting to a continuance of operation by O. L. Swett were shown to be actual patrons of the Swett line and, therefore, evidently were not consistent in signing the petitions.

The order in the original proceeding set no time within which the service was to commence and no doubt there was unusual delay in this situation, but the conditions have not materially changed.

After a careful consideration of all the evidence in this proceeding, we are of the opinion that no good purpose would be served by the annulment of the certificate granted to O. L. Swett and Jose Figeroa October 18, 1919, by Decision No. 6758, and further find that the service inaugurated by this partnership on October 18, 1920, was in good faith; that a substantial investment has been made in the enterprise and that, therefore, the certificate should be continued in force. We are also of the opinion that no substantial reasons have been given why Jose Figeroa should not be permitted to transfer his rights in the operating certificate to O. L. Swett.

ORDER.

The Railroad Commission hereby declares that public convenience and necessity require the operation of the S & F Auto Truck Line, Swett and Figeroa, between Oakland and San Jose and that the certificate issued October 18, 1919, by Decision No. 6758 should be continued in effect.

By Application No. 6293, filed by Jose Figeroa and O. L. Swett under date November 10, 1920, authority is sought to transfer and sell certain operative rights and privileges for the conduct of an automotive freight service between Oakland, San Jose and intermediate points, the appli-

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cant, Jose Figeroa, desiring to sell and the applicant, O. L. Swett, desiring to purchase and thereafter operate said service.

The conditions under which the proposed transfer is to be made are incorporated in a copy of agreement, made a part of the application in this proceeding, and the rights and privileges herein sought to be transferred are those acquired by applicants, Jose Figeroa and O. L. Swett, by reason of certificate of public convenience and necessity granted by the Railroad Commission in its Decision No. 4968, decided October 18, 1919.

The agreement, which is a part of this proceeding, sets forth $1 as the amount to be paid for applicant Jose Figeroa's share of these operative rights.

The Commission does not herein pass upon the value of any properties involved in this proceeding, nor may the purchase price be considered as a basis for rate-making purposes either by this Commission or any other regulatory body;

It is hereby ordered, that this application be and the same is hereby granted, subject to the following conditions:

First—That the amount paid for the purchase of these operative rights, or for any property involved, shall not be considered as a measure of value of said operative rights or property before this Commission or any other regulatory body for rate fixing or any other purpose than the transfer herein referred to.

Second—That the applicants, Jose Figeroa and O. L. Swett, operating under the firm name of S & F Auto Truck Freight Line, will be required to immediately cancel their tariff of rates in accordance with the provisions of General Order No. 51 and other regulations of the Railroad Commission.

Third—That the applicant, O. L. Swett, operating under the firm name of S & F Auto Truck Freight Line, will be required to immediately file a tariff of rates, in duplicate, or to adopt as his own the tariff heretofore filed by the applicants, Swett and Figeroa, operating under the firm name of S & F Auto Truck Freight Line, such rates to be identical with those now on file with the Railroad Commission by Swett and Figeroa. Such tariff or adoption of tariff must be in accordance with Rule 13 of General Order No. 51 of the Railroad Commission.

Fourth—The rights and privileges hereby authorized to be transferred must not be discontinued, sold, leased, transferred nor assigned unless the written consent of the Railroad Commission to such discontinuance, sale, lease, transfer or assignment has first been secured.

Fifth—No vehicle may be operated by the applicant, O. L. Swett, operating under the firm name of S & F Auto Truck Freight Line, unless such vehicle is owned by him or is leased by him for a specified

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amount on a trip or term basis, the leasing of equipment not to include the services of a driver or operator. All employment of drivers or operators of leased cars shall be made on the basis of a contract by which the driver or operator shall bear the relation of an employee to the transportation company.

Dated at San Francisco, California, this twenty-sixth day of January, 1921.

DECISION No. 8591.

IN THE MATTER OF THE APPLICATION OF THE PULLMAN WATER COMPANY FOR AUTHORITY TO INCREASE RATES FOR DOMESTIC WATER SERVICE.

Application No. 2529.

Decided January 26, 1921.

C. A. Odell, for Pullman Water Company.
D. J. Hall, for City of Richmond and Rose E. Utz.

MARTIN, *Commissioner*.

SUPPLEMENTAL OPINION.

A decision was rendered by the Commission in the above entitled application of Pullman Water Company on April 26, 1920, and that decision (Decision No. 7494) as supplemented by Decision No. 7905, established a schedule of rates and charges for service rendered by said Pullman Water Company. The water company, however, on August 2, 1920, filed a petition for rehearing, alleging that in consideration of the increased cost of labor and materials over that which obtained at the time of the original hearing, a further increase in rates should be granted.

In the meantime a complaint had been filed by Rose E. Utz et al. against Fred Meyers, doing business under the name of the Pullman Water Company (Case No. 1470), in which complainants alleged among other things that defendant had charged rates for water service in excess of those authorized by this Commission.

The Commission then reopened the application of Pullman Water Company for further hearing, and at the same time considered the complaint outlined above. The opinion and order in the complaint, however, will be rendered separately.

Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, reviewed the operations of applicant to the date November 1, 1920, and submitted a report showing an estimated cost of the system to be $48,332, a replacement annuity computed by the 6 per cent. sinking fund method of $1,036, and an estimated cost for maintenance and operation of $5,213 per annum. This latter sum is based principally upon an analysis of the reasonable and necessary actual costs for the

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first ten months of 1920, with an estimate sufficient to cover the balance of the year.

The sums set out in the foregoing statement have not been criticized, and are deemed reasonable for the purposes of this proceeding. Summarizing them we arrive at the following tabulation:

Interest on $48,332 at 8 per cent	$3,866 00
Replacement annuity	1,036 00
Maintenance and operation expenses	5,213 00
Total	$10,115 00

The gross revenue for the first ten months of 1920, as shown by applicant, is the sum of $4,691.79, which extended for the full year would be approximately $5,630.

While these figures indicate a wide margin between revenue and what appear to be reasonable annual charges for the system, we desire to direct attention to the fact that the evidence submitted at the hearing indicates that the rates established by this Commission in its Decision No. 7494 have not been properly applied by applicant. To what extent this condition is reflected in the revenue of the company, it is impossible to determine. Furthermore, it is a matter of record that the system of the utility in question is largely overbuilt, it having been designed to supply a large area of what is now very sparsely settled territory. It would thus be unfair to the present number of consumers to require them to pay rates which would return the annual charges shown in the above tabulation, but in view of the further information presented, it would appear that applicant is entitled to some increase over the rates set out in the original decision under this application, and the schedule of rates contained in the order which follows this opinion is designed to produce an increased revenue, and require a payment in the form of rates which is reasonable for the service rendered.

SECOND SUPPLEMENTAL ORDER.

Further hearing having been had in the above entitled matter;

It is hereby ordered, that Pullman Water Company be and it is hereby authorized to file with the Railroad Commission, within twenty (20) days from the date of this order, the following modifications of its rate schedule at present in effect, said rates to become effective as of February 1, 1921:

Monthly Meter Rates.

Readiness-to-serve charge:	
For each meter in use	$0.50
Quantity rates:	
For use from 0 to 50,000 cubic feet	23 cents per 100 cu. ft.
For all use in excess of 50,000 cubic feet	19 cents per 100 cu. ft.

The quantity rates herein established are in addition to the readiness-to-serve charge.

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All rates established in Decision No. 7494, except as amended above, and by Decision No. 7905, to remain in full force and effect.

The foregoing supplemental opinion and second supplemental order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of January, 1921.

DECISION No. 8594.

IN THE MATTER OF THE APPLICATION OF PLACENTIA DOMESTIC WATER WORKS FOR AN ORDER AUTHORIZING AN INCREASE IN RATES FOR METERED DOMESTIC WATER SERVICE.

Application No. 6053.

Decided January 26, 1921.

Arthur R. Kelley, for Applicant.

MARTIN, *Commissioner*.

OPINION.

Placentia Domestic Water Company is an unincorporated public utility engaged in the business of supplying water for domestic purposes in and in the vicinity of Placentia, Orange County. In this proceeding said company makes application for authority to increase its rates, alleging that the rates at present in effect do not produce a reasonable return on the investment. The present rates of this company were established by the Railroad Commission in its Decision No. 5555, in Application No. 3191, dated July 3, 1918, to which decision we also refer for the history of the company and other matters relating to its operation.

At the hearing in the present application, Mr. Arthur R. Kelley, applicant's engineer, submitted a report filed as applicant's Exhibit No. 1, which report shows the estimated total investment for rate fixing purposes to be $28,651.89. This total includes a sum of $752.42 as working cash capital, equal to two months' operating expenses, and an item of $449 for what is known as well No. 1, which well was abandoned in July, 1920.

A report and appraisal was also prepared and submitted by Mr. J. G. Hunter, one of the Commission's hydraulic engineers, which was filed as Commission's Exhibit No. 1. This appraisal estimates the value of the utility's physical properties to be $27,343. In this estimate no sum was included for well No. 1, or for working capital. It appears from the evidence submitted that $400 would be a fair sum to allow for working capital, which makes the total investment $27,743. These latter figures appear to be proper for rate fixing purposes.

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A replacement annuity computed by the sinking fund method is $665, and this amount is set out herein as an available fund to be used for the replacement of wornout properties. It appears that $3,870 annually is a fair and reasonable maintenance and operation charge for the system in question.

Summarizing the above, the following items make up the sum which should annually be produced by rates:

Interest on $27,743 at 8 per cent	$2,219 00
Replacement fund	665 00
Maintenance and operation expenses	3,870 00
Total	$6,754 00

The estimated revenue for the year 1920 amounts to $4,879.66. This is based on the actual revenues for the first ten months of the year, expanded through the two remaining months at prevailing rates. There has recently been a decided increase in water use by reason of increased population in the territory served, and it seems safe to assume that this utility's service will continue to show a material growth.

Taking into consideration all facts relating to the operation of Placentia Domestic Water Works, it appears that the utility is entitled to an increase in rates, and the schedule set out in the following order is designed to produce the annual charges indicated in the above schedule.

ORDER.

Placentia Domestic Water Works having applied to this Commission for an order authorizing an increase in its rates for metered domestic service, a hearing having been held and the matter having been submitted:

It is hereby found as a fact, that the rates heretofore in effect, in so far as they differ from the rates herein established are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates and charges.

And basing its order on the foregoing finding of fact, and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Placentia Domestic Water Works be, and it is hereby authorized and directed, to file with the Railroad Commission of the State of California, within twenty (20) days of the date of this order, the following schedule of rates, said rates to be charged for all water delivered to consumers on and after February 1, 1921, and on that date to be and become effective and supersede any and all rate

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schedules theretofore in effect or on file by Placentia Domestic Water Works:

Monthly Meter Rates.

Monthly readiness-to-serve charge	$0 50

Monthly Quantity Rates.

For use from 0 to 1000 cubic feet, per 100 cubic feet	$0 25
For use from 1000 to 5000 cubic feet, per 100 cubic feet	20
For use over 5000 cubic feet, per 100 cubic feet	15

NOTE:—The above quantity rates are in addition to the readiness-to-serve charge.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of January, 1921.

DECISION No. 8596.

ROSE E. UTZ ET AL.

vs.

FRED MEYERS, DOING BUSINESS UNDER THE NAME AND STYLE OF THE PULLMAN WATER COMPANY.

Case No. 1470.

Decided January 26, 1921.

WATER RATES—OVERCHARGES—REFUND OF REQUIRED.—Investigation showing that defendant herein, through misinterpretation of an order heretofore issued, has overcharged his consumers an amount totaling approximately $350, he is directed to charge and collect only such amounts as established in the schedules fixed by the Commission and to refund, within thirty days, all amounts collected in excess of such rates.

D. J. Hall, for city of Richmond and Rose E. Utz.

C. A. Odell, for Pullman Water Company.

MARTIN, *Commissioner.*

OPINION.

Complainants in the above entitled matter are consumers of water for domestic and other purposes, from the public utility water system owned by Fred Meyers, known as the Pullman Water Company, which distributes water to inhabitants in the city of Richmond, Contra Costa County. In this proceeding complainants, some twenty-five in number, allege in effect that defendant has charged rates for water service in excess of those authorized by this Commission; that bills are rendered without the meters having been read; that the water bills fail to show the meter readings; and that defendant Meyers at all times acts in an arbitrary and unreasonable manner in the conduct of his utility business.

The answer of defendant to the complaint denies practically all of the allegations set out therein, but it is admitted that due to a misinterpretation of the rates authorized by this Commission an overcharge

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was made for the first two months that the Commission's order was in effect. It appears that the total of such overcharges amounts to approximately $350.

The hearing in this complaint was held in conjunction with a further hearing in the matter of the application of Pullman Water Company for authority to increase rates (Application No. 2529).

At the hearing complainants in this matter presented but little evidence in support of their allegations, but from an investigation, it appears that the relations between utility and consumers under this system do not tend toward satisfactory service conditions. A public utility cannot attain a high standard of efficiency in service if its relations with its consumers are not harmonious, and it is the duty of this utility to adopt such measures in dealing with the public as will insure a spirit of cooperation instead of antagonism.

The amount of money which was inadvertently charged in the form of incorrect rates should be returned to the consumers so charged.

ORDER.

Complaint having been filed with the Railroad Commission as entitled above, a public hearing having been held and the matter having been submitted:

It is hereby found as a fact, that defendant in this proceeding has charged rates for service in excess of the rates established by the Commission;

And basing its order upon the foregoing finding of fact and the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Fred Meyers, doing business under the name and style of the Pullman Water Company, be and he is hereby directed to return to each consumer all money improperly collected over and above the rates established by the Railroad Commission in its order (Decision No. 7494) dated April 26, 1920, said money to be returned within thirty (30) days of the date of this order.

It is hereby further ordered, that Fred Meyers be and he is hereby directed to render a certified statement to the Commission indicating the name of each consumer to whom refund has been made in accordance with the terms of this order, and the amount of each respective refund, said statement to be rendered within ten (10) days from the time indicated above when all money shall have been returned.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of January, 1921.

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DECISION No. 8597.

IN THE MATTER OF THE APPLICATION OF WALKER D. HINES, DIRECTOR GENERAL OF RAILROADS, UNITED STATES RAILROAD ADMINISTRATION; SOUTHERN PACIFIC RAILROAD COMPANY, A CORPORATION, AND SOUTHERN PACIFIC COMPANY, A CORPORATION, FOR AN ORDER OF SAID COMMISSION PERMITTING, REQUIRING AND DIRECTING THE OPERATION ON THE SOUTHERN PACIFIC EIGHTEENTH STREET ELECTRIC LINE IN THE CITY OF OAKLAND OF AS MANY MORE THAN TWO CARS PER TRAIN AS WILL PROPERLY AND ADEQUATELY ACCOMMODATE THE PASSENGER TRAFFIC OFFERED FROM TIME TO TIME.

Application No. 5026.

Decided January 26, 1921.

FRANCHISE PROVISIONS—TRAIN SERVICE—NUMBER OF CARS OPERATED.—Application of Southern Pacific Company for permission to operate trains of more than two cars on its Eighteenth street line in the city of Oakland, contrary to franchise provisions permitting the construction and operation of such line, denied, and the temporary order permitting the operation of more than two-car trains during labor troubles of the San Francisco-Oakland Terminal Railways is revoked and annulled. Applicant directed to operate such number of trains, in units of not more than two cars each, as may be necessary to adequately care for traffic during rush hours.

H. C. Booth, for United States Railroad Administration.
Leon E. Gray, for city of Oakland.
Charles Quayle, for Protesting Property Owners.
R. M. Fitzgerald, for Archon Company, Protestant.
Henry C. McPike, for Protesting Property Owners.

BY THE COMMISSION.

OPINION.

Walker D. Hines, Director General of Railroads, United States Railroad Administration; Southern Pacific Railroad Company, a corporation, and Southern Pacific Company, have petitioned the Railroad Commission for an order authorizing and permitting the operation on the Eighteenth street electric line in the city of Oakland of as many more than two cars per train as will properly and adequately accommodate the passenger traffic offering for movement over such line.

A public hearing on this application was conducted by Commissioner Edgerton at Oakland and the matter was duly submitted on briefs filed by interested counsel.

Due to the emergency existing by labor troubles on the line of the San Francisco-Oakland Terminal Railways, the Commission on October 4, 1919, issued its order (Decision No. 6751) authorizing the operation of such cars on the trains of the applicants on the Eighteenth street line in the city of Oakland as might be necessary to furnish adequate transportation for passengers desiring service on such line; this order to be effective until further order of this Commission.

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It appears from the record in this proceeding that in July, 1909, the South Pacific Coast Railway Company made application to the city council of the city of Oakland for a fifty-year franchise to construct and maintain a single or double track railroad connecting with the existing railroad of such company in the block bounded by Thirteenth, Fourteenth, Webster and Franklin streets in the city of Oakland and thence via Franklin street, Eighteenth and Twentieth streets to the westerly line of San Pablo avenue. This application to the city council was later withdrawn by reason of opposition on the part of the property owners and a new application for the operation of a street railroad was filed with the Oakland city council. Ordinance No. 3089 of the council of the city of Oakland was passed on May 16, 1910, and approved by the mayor of said city on June 28, 1910. Ordinance No. 3205 was passed by the council of the city of Oakland on October 24, 1910, and approved by the mayor on December 10, 1910, these ordinances granting to the Peninsular Railway Company, a corporation, the franchise rights over which the operation of the so-called Eighteenth street line of applicants is conducted from Fourteenth and Franklin streets in the city of Oakland to its intersection with the right of way of the Southern Pacific Company near the Sixteenth street station of such company in Oakland. Each of the franchise ordinances contain a provision that no more than two cars attached together should be run at any time, provided one of the two cars shall contain the motor or motive power. It is alleged by protestants that street railroad franchises were granted to the Peninsular Railway Company, predecessor in interest to the Southern Pacific Railroad Company, to whom the franchises were assigned and over which Southern Pacific Company now operates by virtue of a lease granted by said Southern Pacific Railroad Company.

It appears that operation of the so-called Eighteenth street line was commenced on March 27, 1912, cars being operated between the Sixteenth street station of the Southern Pacific Railroad Company, and Fourteenth and Franklin streets, Oakland. On November 1, 1914, the service was extended by through cars or trains from Sixteenth street station, Oakland, to Oakland pier connecting with ferry steamers to and from San Francisco. In addition to the through service connecting at Oakland pier with the ferry steamers to and from San Francisco there is operated over the franchises hereinabove referred to a street car line commencing at the Sixteenth street, Oakland, station and continuing beyond the Fourteenth street station to Alameda.

During the peak hours of travel in the morning and evening when heavy commutation travel is being carried to and from San Francisco, the seating capacity of the two-car trains is not sufficient to accommodate

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the traffic and many passengers have been obliged to stand either in the cars or on the platforms and there has been filed in this proceeding petitions signed by approximately 1350 patrons of the Southern Pacific Company requesting the Southern Pacific Company to secure authority from this Commission enabling the operation of trains consisting of more than two cars at such times as traffic conditions may require.

Traffic checks filed as exhibits in this proceeding indicate that during the period August 21, 1919, to August 30, 1919, inclusive, the three morning trips arriving at Oakland pier at 7:10, 7:30 and 7:50 a.m., and the three evening trips leaving Oakland pier at 5:20, 5:40 and 6:00 p.m., carried overloads and that passengers were unable to obtain seats on such trains, then operated with two cars. The maximum overload is present during the evening peak hours varying from no overload to a maximum of 119 passengers unable to obtain seats; the average overload during week days, excepting Saturdays, during the period of the check being 54.5. At the time of the hearing and under the temporary authority granted by the Commission trains of three cars are being operated between the hours of 6:10 and 7:30 a.m., and between 5:00 and 6:20 p.m., such operation satisfactorily caring for overloads against which complaint had been made by passengers.

The Eighteenth street line of the Southern Pacific Company also carries local passengers between certain designated stops, but such traffic is slight in volume and does not materially affect the conditions of congestion as existing during morning and evening peak hours. A record of commutation tickets as actually sold applicable to this line and as apportioned to such line from the general sales of the Southern Pacific Company is as follows:

July, 1919	1,205
August, 1919	1,256
September, 1919	1,340

The comparison of the number of local and through fares is as follows:

July, 1919	local 861; through 124,679
August, 1919	local 920; through 130,535
September, 1919	local 892; through 123,260

Various operating reasons were advanced by witnesses for applicants as to the difficulty in furnishing satisfactory service with two-car trains during the peak hours or at any other time when the volume of traffic exceeded that which could be satisfactorily handled by two-car trains. These witnesses testified that it would be impracticable to run trains in two-car sections over the portion of the line covered by the franchises hereinabove referred to by coupling and uncoupling such trains at the

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Sixteenth street station and running the consolidated trains in the section between the Sixteenth street station and Oakland pier, the principal reason being that the suburban trains of the Southern Pacific Company are operated under the 1200 volt system and that for safety of coupling and uncoupling power should be cut off at such time. Also that the operation of additional trains, if run in two sections to Oakland pier, will require an expenditure for wages of $16.10 for an eight-hour day or of $26 for a twelve-hour day and that the operation of such additional trains would increase the hazard of accident for the reason that they would require to be run on short headway. It is also apparent that considerable hazard of accident exists in the crowding of two-car trains, particularly as regards passengers being permitted to stand on platforms.

The granting of this application is opposed by the city of Oakland and by representatives of persons owning property on Fourteenth street and other streets covered by franchises to which reference has heretofore been made. These protests and briefs of protesting counsel allege in effect that the Southern Pacific Company in the operation of two-car trains over the routes covered by the franchises herein referred to have been trains of a type similar to that used by the Southern Pacific Company in the operation of its interurban lines in the Oakland-Alameda-Berkeley section; that the franchises over which such cars and trains are operated are street railroad franchises and that the Southern Pacific Company, as the successor to the right of operation originally granted by franchises to the Peninsular Railway Company, has not kept faith with the city of Oakland in that, instead of cars being operated that are of a street car type, the heaviest type of interurban cars have been operated in trains and continuously since the line was first placed in operation. It is alleged in a protest filed in this proceeding that the Southern Pacific Company had assured a committee representing property owners that the use of the large cars at the time of the opening of the line was temporary pending reconstruction of a type of street car intended for service on this line but that the promise of the Southern Pacific Company as to the substitution of the smaller type of car was never kept and that the interurban type of cars has continuously been operated since the opening of the line.

Contention is made by applicants that the patrons of its line are entitled to relief from the overcrowded conditions existing during the morning and evening peak hours of suburban travel and that this Commission, under the provision of Ordinance No. 600, New Series, of the city of Oakland, passed on January 17, 1914, calling for a special election in the city of Oakland, under the provisions of chapter 40,

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California Statutes of 1912, to determine whether or not the city of Oakland should retain its powers of control over certain public utility corporations, and under the subsequent election held on February 17, 1914, a certificate, filed with this Commission on February 25, 1914, and with the Secretary of State of the State of California, announcing the result of such election particularly as to the vote on the questions as to whether the city of Oakland should retain its powers of control over railroad corporations and over street railroad corporations, the result of the election being that the electors voted "no" on both such questions, passed to this Commission the right of regulation over all matters pertaining to the rates and service as conducted by the applicants and as to the subject matter of this application.

The operation of the Eighteenth street line, according to the record in this proceeding, was commenced on March 27, 1912, and on November 1, 1914, such operation was extended beyond the limits of the route authorized by the franchise herein referred to from the Southern Pacific Company's Sixteenth street station to Oakland pier. The evidence further shows that at all times since the commencement of operation the heavy interurban type of car has been used and that street cars have only been used in the street car service operated between Sixteenth street station and Alameda passing over the route authorized by franchises herein referred to and continuing to Alameda via the Fourteenth street, Oakland, station of the Southern Pacific Company.

After careful consideration of all the evidence in this proceeding, we are of the opinion that applicants have not made a satisfactory showing that is it impracticable to care for the operation of the Eighteenth street electric line by the use of two-car trains during the morning and evening peak load hours as it is entirely practicable to care for overloads by the operation of trains consisting of not over two cars, such operation requiring either the trains to be operated from Fourteenth and Franklin streets, Oakland, through to the pier or to be consolidated into trains of three cars or more during the time they are operated on the portion of route between Oakland pier and Sixteenth street station, Oakland. The alleged requirements for safety in coupling and uncoupling, stated to necessitate the cutting off of power at the time the coupling and uncoupling is accomplished, is not a condition that would prohibit such coupling or uncoupling being performed at or near the Oakland Sixteenth street station of applicant as in the coupling and uncoupling of these trains at the Oakland pier terminal it is not customary to cut off power at the time such operation is performed. The additional expense required to operate these trains as through units consisting of two cars or to consolidate or separate the trains at Sixteenth street, Oakland, does not justify the continuance of conditions resulting

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in complaints as to overcrowding of cars during rush hours, and applicants will be required to operate such additional trains during peak hour periods that will eliminate such complaints.

The emergency created by the labor troubles on the San Francisco-Oakland Terminal Railways having passed, the order of the Commission granting authority for operation of such cars on applicant's trains as may be necessary to adequately transport passengers desiring service on the Eighteenth street line should be cancelled.

ORDER.

A public hearing having been held in the above entitled proceeding, the matter having been submitted on briefs filed by interested counsel and the Commission being fully advised;

It is hereby ordered, that this application be and the same hereby is denied, and that applicants be and they are hereby ordered to operate such trains, in units of not more than two cars, during the peak hour period that will provide adequate seating capacity for the patrons of the Eighteenth street line. This may be accomplished by running trains through from the Fourteenth and Franklin street station to Oakland pier direct, or by consolidating and separating through trains at or near the Sixteenth street, Oakland, station so that trains of not exceeding two cars will be operated over the portion of the line between Fourteenth and Franklin street station and Sixteenth street station.

It is hereby further ordered, that, by reason of the passing of the emergency occasioned by labor troubles of the San Francisco-Oakland Terminal Railways, the authority contained in Decision No. 6751 in this proceeding, as decided October 4, 1919, be and the same hereby is revoked and cancelled.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of January, 1921.

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DECISION NO. 8598.

IN THE MATTER OF THE INSTALLATION OF SAFETY SIGNALS AT GRADE CROSSINGS WITHIN THE CITY LIMITS OF LINDSAY, COUNTY OF TULARE, STATE OF CALIFORNIA.

Case No. 1472.

Decided January 26, 1921.

GRADE CROSSINGS—PROTECTION OF.—Investigation showing that four certain street crossings with tracks of the Southern Pacific Company in the city of Lindsay are dangerous and not at the present time adequately protected, the Southern Pacific Company is directed to protect such crossings by the installation of automatic flagmen, three of such flagmen to be constructed at its own expense and one at the expense of the city and to further protect the Hermosa street crossing during the fruit shipping season by maintenance of a human flagman at such point.

C. W. Braswell, for the city of Lindsay.
A. J. Howe, for the Lindsay Chamber of Commerce.
Frank B. Austin, for the Southern Pacific Company.

MARTIN, *Commissioner*.

OPINION.

This proceeding is the outgrowth of several informal complaints registered by the board of trustees of Lindsay, the Lindsay Chamber of Commerce and by several citizens with the Commission in regard to the dangerous conditions at the grade crossings of the several streets in that town with the tracks of the Southern Pacific Company.

The Commission, on its own motion, ordered an investigation into the matter of establishing safety signals or other protection on these crossings, and in connection with this investigation held a hearing at Lindsay on September 14, 1920.

There are four crossings within the city limits of Lindsay. Commencing at the north end of the town they are, in order, at Eucalyptus avenue, Hermosa street, Honolulu street and Lewis street.

The Eucalyptus avenue crossing is over five tracks and a switch. The view of the railroad track to the north from both sides of the crossing is obscured by trees up to the edge of the right of way, which is fifty feet from the center of the main line.

The view to the south is open from both sides of the track. This road was formerly the main country road to the west of the town but traffic has been diverted to Hermosa street. On account of the narrow right of way and obstructed view to the north, an automatic flagman should be installed. Eucalyptus street is not paved.

Hermosa street is the most important street crossing the tracks. It is paved and crosses four tracks, including the main line on the east

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side of the right of way, and five packing-house yard tracks on the west side of the railroad property. This crossing is traveled extensively by school children and through automobile traffic. It should be given additional protection as the view is blocked on the east side by warehouses and on the west side by standing cars during the shipping season. This crossing was formerly protected by a human flagman during the shipping season but he was removed during the period of federal control and not replaced. This crossing should be protected by an automatic flagman and the human flagman replaced from November 15 to January 15 and from March 15 to July 15 of each year.

Honolulu street is a paved street crossing the railroad south of the depot. The view is obstructed on all four corners by warehouses. There are four tracks on the east side of the right of way and five tracks on the west side. This is not a very important street as it is paved only a short distance west of the railroads. All trains stop at the station and cross Honolulu street at slow speed with the exception perhaps of an occasional through fast freight. It should have further protection in the shape of an automatic flagman.

Lewis street, the most southerly crossing, was opened at the request of the city under Decision No. 2320, rendered April 21, 1915. Since that time conditions have materially changed at the crossing, which has become very dangerous. It has been the scene of one very bad accident and one other accident. Under the circumstances it would seem that the necessary protection should be paid by the city, as the crossing was made public on its application. It is a hard crossing to protect, as all the yard tracks bunch together at this point. It should be protected by an automatic flagman.

The engineering department of the Commission considered the crossings in Lindsay extremely hard to protect on account of the number of storage tracks which could not be connected up with automatic flagmen, but the testimony shows that practically no switching is done on these tracks during the daytime when most of the travel occurs. The city trustees were of the opinion that automatic flagmen would be satisfactory under such conditions so they will be ordered installed. On account of the great growth in income derived by the railroad company from the fruit business at Lindsay, it can very well afford to protect the hazardous crossings.

ORDER.

The Commission having on its own motion instituted an investigation of crossing conditions on the Southern Pacific line through the city of Lindsay, Tulare County, California, a public hearing having been held and the Commission being of the opinion that additional protection is necessary;

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It is hereby ordered, that the Southern Pacific Company shall install an automatic flagman (not a remodeled locomotive bell) to protect as many tracks as can be reasonably worked out at each of the following streets: Eucalyptus avenue, Hermosa street, Honolulu street and Lewis street. Automatic flagmen shall be installed at the expense of the Southern Pacific Company with the exception of the one at Lewis street, which shall be installed at the expense of the city of Lindsay. All of the automatic flagmen shall be maintained by and at the expense of the Southern Pacific Company.

The installation of said flagmen shall be made within sixty (60) days from the date of this order, and the Commission shall be notified in writing of the completion of the installation of said flagmen within thirty (30) days thereafter.

It is further ordered, that Hermosa street be further protected by a human flagman from November 15 to January 15 and from March 15 to July 15 of each year, to be paid for by the Southern Pacific Company.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of January, 1921.

DECISION No. 8599.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY, AN ELECTRICAL CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF $444,260.80 PAR VALUE, FIRST AND REFUNDING MORTGAGE GOLD BONDS, THE SAME BEING ADDITIONAL TO THE ISSUE OF $4,763,538.20 PAR VALUE OF SUCH BONDS HERETOFORE AUTHORIZED BY THE RAILROAD COMMISSION OF CALIFORNIA.

Application No. 6283.

Decided January 26, 1921.

Charles F. Potter, for Applicant.

BRUNDAGE, *Commissioner.*

OPINION.

The Southern Sierras Power Company asks permission to issue and sell at not less than 85 per cent of their face value plus accrued interest $444,260.80 of its 6 per cent first and refunding mortgage gold bonds, payable January 1, 1965, and use the proceeds for the purposes hereinafter indicated.

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The testimony shows that The Southern Sierras Power Company has acquired at a cost of $400,000 properties formerly owned by the Mono Power Company. The properties acquired are described by applicant in its Exhibit "A" as follows:

"The East Half (½) of Section Sixteen (16) in Township Five (5) South, Range Thirty-one (31) East, Mount Diablo Base and Meridian, in Mono County, State of California, together with all water rights of every kind or nature appurtenant or belonging thereto.

"Together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in any wise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof."

Applicant is engaged in constructing on the properties acquired two hydroelectric generating plants, one plant known as the Adams auxiliary plant, which will use an effective head of about 140 feet and have an installed generating capacity of 2500 kilowatts, and the other plant referred to in the application as the main plant, which will have an installed generating capacity of 7500 kilowatts and operate under a head of approximately 400 feet. The cost of the auxiliary plant is estimated at $197,847 and the cost of the main plant at $642,354. The combined installed capacity of the two plants is reported at 10,000 kilowatts, the combined average capacity at 5466 kilowatts and the combined output at 47,855,000 kilowatt hours.

Up to August 31, 1920, applicant reports an expenditure of $122,659.77 on the two plants. This amount added to the original purchase price of the properties—$400,000—makes a total of $522,659.77. The $444,260.80 of bonds which applicant asks permission to issue represents 85 per cent of the $522,659.77.

The testimony shows that the city of Los Angeles has instituted a proceeding to acquire by condemnation the properties formerly owned by Mono Power Company and now owned by The Southern Sierras Power Company. The city, according to the testimony, recognizes applicant's title to the properties. The properties constitute a relatively small portion of the entire properties of The Southern Sierras Power Company, and should the court finally decide in favor of the city and fix a price less than that paid for the properties by The Southern Sierras Power Company, the loss must be properly recorded and the amount of bonds herein authorized reduced proportionately, or surplus earnings equal to the loss invested in the properties and no securities issued on account of such investment.

I herewith submit the following form of order:

ORDER.

The Southern Sierras Power Company having applied to the Railroad Commission for permission to issue $444,260.80 face value of its 6 per cent first and refunding mortgage gold bonds, a public hearing

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having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant, and that the expenditures are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that The Southern Sierras Power Company be and it is hereby authorized to issue $444,260.80 face value of its 6 per cent first and refunding mortgage gold bonds.

The authority herein granted is subject to the following conditions:

1. The bonds herein authorized to be issued shall be sold by applicant for not less than 85 per cent of their face value plus accrued interest.

2. The proceeds realized from the sale of the bonds herein authorized, shall be used by applicant to pay in part for the properties described in Exhibit "A" of applicant's petition, or to pay indebtedness incurred on account of the acquisition of said properties.

3. The authority herein granted shall not be regarded as fixing the value of the properties formerly owned by Mono Power Company and referred to in this application for any purpose other than the issue of the bonds herein permitted.

4. The Southern Sierras Power Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted will apply only to such bonds as may be issued and sold on or before July 1, 1921.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of January, 1921.

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DECISION No. 8603.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND SELL BONDS IN THE AMOUNT OF TEN MILLION DOLLARS FACE VALUE.

Application No. 6425.
Decided January 26, 1921.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission, by Decision No. 8539, dated January 12, 1921, authorized Southern California Edison Company to issue $10,000,000 of its general and refunding mortgage 6 per cent 25-year gold bonds of the "Series of 1919," subject among others, to the condition that none of the bonds be sold except upon such terms and conditions as the Commission may authorize; and

Whereas, applicant reports that it has received an offer of 81 and accrued interest for $5,000,000 of the said bonds;

And it appearing that this is the best price which applicant can obtain for its bonds at this time and that it should be permitted to sell the bonds at said price;

It is hereby ordered, that the order in Decision No. 8539, dated January 12, 1921 be, and it is hereby, modified so as to permit Southern California Edison Company to sell $5,000,000 of the said $10,000,000 of its general and refunding mortgage 6 per cent 25-year gold bonds of the "Series of 1919" at 81 per cent of their face value plus accrued interest and use the proceeds to pay the $2,000,000 of short-term notes referred to in said order, and use the remainder of the proceeds to finance such part of the construction expenditures reported in its Exhibits "3" and "4" as may not be paid through the use of the proceeds obtained from the sale of stock authorized by the order in Decision No. 8579, dated January 24, 1921.

It is hereby further ordered, that the order in Decision No. 8539, dated January 12, 1921, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-sixth day of January, 1921.

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DECISION No. 8604.

CITY OF OAKLAND, A MUNICIPAL CORPORATION,

vs.

SOUTHERN PACIFIC COMPANY OF KENTUCKY, A RAILROAD CORPORATION; SOUTHERN PACIFIC RAILROAD COMPANY OF CALIFORNIA, A RAILROAD CORPORATION, AND SOUTH PACIFIC COAST RAILWAY COMPANY OF CALIFORNIA, A RAILROAD CORPORATION.

Case No. 1487.

Decided January 27, 1921.

STATION FACILITIES—RAILROAD COMPANIES—ADEQUACY OF.—It is held that the term adequate service when applied to the station facilities of a railroad company must be considered in a comparative sense, as facilities which would be considered adequate in one locality could in no way be considered as meeting the public convenience in another. Suburban electric lines of a large steam line carrier are considered as feeders for its main line business and the contention that the suburban lines are not profitable in themselves is not sufficient grounds for the maintenance of facilities which do not adequately care for the public requirements.

Defendant directed to file within sixty days, for the approval of the Commission, plans and specifications for a new depot and track layout at Fourteenth and Franklin streets in the city of Oakland, the depot exclusive of track rearrangement to cost not less than fifty thousand dollars, and to complete such construction work within nine months after the approval of such plans.

H. L. Hagen and *Leon E. Gray*, for Complainant.
E. J. Foulds and *Elmer Westlake* for Defendants.

DEVLIN, *Commissioner.*

OPINION.

In this complaint the city of Oakland, hereinafter referred to as the city, asks that the defendants, hereinafter referred to as the railroad, be required and ordered within a reasonable length of time to erect and construct a modern, commodious and fireproof depot suitable to meet the needs and convenience of the public. In support of the complaint, it is alleged by the city that the railroad now owns, and has owned for a long time, the entire block of land in the heart of the city bounded on the east by Webster street, on the north by Fourteenth street, on the west by Franklin street, and on the south by Thirteenth street. It is stated that this block of land is bisected diagonally from the northwest to the southeast corner by electric railway tracks and occupied on the southwest corner by a passenger depot. This depot is the terminus of street railway lines owned and operated by the railroad to the Oakland and Alameda piers and to the defendants' Sixteenth street depot in the city, these street railway lines acting as feeders to and connecting with the transbay ferry service operated from the Oakland and Alameda

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piers to and from San Francisco, and also as feeders to the railroad's main line trains at the Oakland Sixteenth street depot and at the Oakland mole.

According to the complaint, 54 trains daily each way arrive and depart from this depot on the Oakland pier line; 36 trains each day arrive and depart on the Alameda mole line, and 78 cars daily each way arrive and depart on the line operating between the city of Alameda and the Sixteenth street depot.

On August 17 and 18, 1920, complainant had counted the number of passengers using this depot and that, as a result, the number on August 17, 1920, was found to be 8459 and, on August 18, 1920, 8369. These numbers the complainant considers as indicative of the normal traffic using this depot.

The city states that the depot is at least thirty-five years old, and was originally constructed when the railroad from said depot to Alameda mole was operated as a steam railroad before electrification of the Alameda line and before the construction and operation of the street railway to the Oakland pier via Sixteenth street depot, and before the construction and operation of the street car line from the Sixteenth street depot to the city of Alameda. Since the original construction there has been no change or reconstruction of the depot, and it is averred that it is now in practically the same condition as it was originally constructed, with the exception of a few minor repairs. The city complains that the depot is old, dilapidated, antiquated and totally unfit or suitable for the use of passengers; that the waiting room of said depot is too small and entirely inadequate to accommodate passengers; that the sanitary conditions are grossly inadequate and unsatisfactory; that the sheds forming part of the depot and running parallel with the tracks of the southbound train for Alameda mole are narrow and open at the side and offer no protection from the weather in rainy seasons; that there are absolutely no facilities of any kind whatsoever to protect from the weather passengers arriving on the northbound train from Alameda and that there are no sheds or structures of any kind protecting from the weather passengers boarding or arriving from either of the trains from the Oakland pier, or the passengers boarding or arriving on the street railway operated from the Sixteenth street depot to the city of Alameda.

Complaint is also made against the condition whereby passengers boarding or leaving trains at this depot are compelled to pass over, at grade, several tracks lying between the depot and the cars about to be boarded or left, and that the pavement in front of the depot and between the tracks is unsatisfactory and inadequate.

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The city sets forth that during the last ten (10) years the railroad has been repeatedly requested to construct a modern depot, but has continually and repeatedly refused to do so and that, in accordance with Ordinance No. 1196 N. S. of the city all new structures built within the district in which the block of land under consideration is situated be of Class "A" fireproof construction.

The defendants in their answer deny the allegations in the complaint and deny especially the necessity for any improvements in the depot facilities. They also claim that the earnings of the property would not justify any further capital investment and that the present facilities are fully adequate to serve all of the demands of the traveling public.

Public hearings were held in Oakland on October 11 and December 18 and 20, 1920, a number of exhibits were introduced and testimony was heard and the case is now ready for a decision. The Commission, through its engineering department, made its own investigation.

This station is situated one block from what is considered the center of the city and the large amount of traffic handled at that point is apparent from the following table, which gives the number of trains and single cars passing to and through the terminal at Fourteenth and Franklin streets:

	Headway	Monday to Friday		Saturday		Sunday	
		N	S	N	S	N	S
1. Oakland 18th Street	20	50	50	55	55	52	52
2. Oakland 14th and Franklin	30	34	36	34	36	34	35
3. Local crosstown line	30	40	39	40	39	40	39
4. Local crosstown line	30	38	40	38	40	38	39
5. Street car service	30	29	29	29	29	29	29
Totals		191	194	196	199	193	194

No. 1 is operated from the Oakland pier via Eighteenth street to Fourteenth and Franklin and return at minimum intervals of 20 minutes.

No. 2 is operated from the Alameda pier to Fourteenth and Franklin and return.

No. 3 is operated from the Sixteenth street station to Alameda via the north side, returning to Oakland via the south side.

No. 4 is similar to No. 3 but passes around the Alameda loop in the opposite direction.

No. 5 is operated between the Sixteenth street station and Fourteenth street only.

Nos. 3, 4, and 5, are arranged to give approximately ten minutes service north of Fourteenth street.

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The recent large growth of the city of Oakland is apparent in the increase in population, which rose from 150,174 in 1910 to 216,361 in 1920.

It is apparent from the statements of counsel during the hearings that the city believes it has a real grievance because the very important and very valuable entire block of land owned by the railroad in the heart of the business district of Oakland is not properly being made use of, either as operative railroad property or as nonoperative commercial property. The city complains that the property is held by the railroad merely for purposes of speculation and the city has gone on record stipulating that they are willing to dispense altogether with the depot at that point, provided all terminal service is done away with, through service established and the property devoted to other purposes. It is the position of the city, however, that as long as this property is used as a railroad terminal and that as long as depot facilities exist at that point, such facilities should be convenient and adequate and commensurate with the importance of the service there given and with the character of the locality.

It appears from the record that negotiations have been carried on for a number of years between the city of Oakland and between individual citizens of Oakland, on the one hand, and representatives of the railroad, on the other, looking toward a satisfactory adjustment of the complaint of the city. These negotiations, however, have had no tangible result and the unsatisfactory facilities remain today substantially as they were thirty (30) or more years ago.

Whether the block of land in question is wholly, or in part, operative property is not a question within the issues of this case. There is also nothing in the case before the Commission that would justify us to go into the general question of consolidation of service, or joint use of trackage, between this and other transportation agencies operating in that vicinity. A decision by this Commission, in my opinion, can cover only the question of the adequacy or inadequacy of the present depot facilities.

In my opinion, it is established as a fact that the existing facilities are inadequate, inconvenient, and unsanitary. The record shows that this is an important and very busy terminal.

It is evidently not practicable by any reasonable method of segregation or apportionment to allocate to this particular depot all of the revenue and all of the expense that is properly chargeable to the business carried on at that point at the present time, or the business that would be carried on there if adequate facilities existed. It is in the record, for instance, that in the immediate neighborhood of this depot the railroad now rents office space for which it pays a

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very considerable rental. This rental could be saved if the offices in question were housed in the depot. The reason why, in my opinion, a satisfactory allocation of revenue and expense cannot be made and why, if it were possible to make such an allocation, the matter would be of little consequence, lies in the relation of this depot to the general Southern Pacific Railroad system. It is a fact, which I believe cannot be challenged, that the local Southern Pacific and suburban Southern Pacific electric lines are important feeders to the steam main line business of the company. The claim of the railroad, therefore, that the suburban business, as a whole, does not pay a fair return on the investment cannot be controlling in this instance. If it were otherwise it would follow that no capital expenditure of any kind in equipment or facilities would be warranted on the suburban service or could be ordered by the Commission.

The railroad has undertaken to give adequate and convenient service to the public and such service it should be required to give. The defendant introduced considerable testimony to support its contention that the present facilities are adequate to meet all demands. The term "adequate service," as applied to these facilities, does not mean simply sufficient area to house waiting passengers. It must be considered as a relative term. "Adequate" station facilities for a junction point or station remotely situated in a sparsely settled section, even if there were a comparatively large passenger movement, might well consist of a very plain structure and similar appointments. Surely it cannot be successfully urged that what would be deemed "adequate" facilities on the plains or the desert shall be the limitation imposed upon the term when considered with reference to the needs of a station such as in this case, situated in the center of one of the largest and most progressive cities of the state.

As long as the service is operated as at present, and as long as the terminal exists, the necessary facilities, including depot facilities, must be provided and any other solution of this complaint, as, for instance, by vacating this block of land and by rerouting of the service over other trackage, or joint trackage, should be brought about by direct negotiation between the city and the railroad in the first instance and can not, in my opinion, be accomplished by an order of this Commission in this proceeding.

The defendant asks for further time to determine the policy with regard to the use of this block. The evidence shows clearly that this has been the defendant's attitude for a long time past. In the meantime progressive owners of adjacent property have been making large investments in the erection of modern, high-class buildings adding very substantially to the value of defendant's block, the defendant holding,

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claiming, and enjoying the advantages attaching to this piece of real estate as operative property of the Southern Pacific Company.

I am satisfied that the depot facilities complained of should be improved and that a better track layout can be designed than the layout now existing. Having in mind the volume of traffic handled at this terminal and the character of the locality, together with the facts and the testimony developed in this proceeding, I am of the opinion that the Commission should make its order requiring the railroad to erect depot facilities at this terminal to cost, exclusive of change of the track layout, not less than fifty thousand ($50,000) dollars. I submit the following form of order:

ORDER.

City of Oakland having filed its complaint against the Southern Pacific Company of Kentucky, a railroad corporation; Southern Pacific Railroad Company of California, a railroad corporation, and South Pacific Coast Railway Company of California, a railroad corporation, hearings having been held, the matter being submitted and now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the existing station facilities located upon the block bounded by Webster, Fourteenth, Franklin and Thirteenth streets in the city of Oakland, California, are inadequate, inconvenient, and unsatisfactory, and that the new facilities set forth in the order herein are required and ought reasonably to be made to satisfy the necessity and convenience of the public; and basing its order on the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered:

(1) Defendants shall, within sixty (60) days from the date of this order, present to the Railroad Commission, for its approval, plans and specifications for a passenger depot, with all the necessary facilities and for a track layout to be constructed upon the above described block in the city of Oakland, at a cost for the depot building and facilities and exclusive of the cost of the track changes, of not less than fifty thousand ($50,000) dollars;

(2) Defendants shall, after the approval by this Commission of such plans, immediately commence construction and, within nine months from the Commission's approval of said plans, complete the building of the depot and the track layout as approved by the Commission.

(3) The construction of the depot shall conform to the building ordinances and other municipal laws of the city of Oakland.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of January, 1921.

DECISION NO. 8614.

IN THE MATTER OF THE APPLICATION OF COMPTON TRANSPORTATION COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF STOCK.

Application No. 5057.
Decided February 7, 1921.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7383, dated April 8, 1920, as amended by Decision No. 7937, dated July 29, 1920, authorized Compton Transportation Company to issue $19,975 of stock to acquire

Two 9-passenger Packards,
One 11-passenger Stevens-Duryea,
Two 16-passenger Reos,
Two 9-passenger Pierce-Arrows,
One 20-passenger Chevrolet;

and

Whereas, applicant reports that it has issued none of the stock though it has had the use of the automobiles mentioned and that subsequent to said order of July 29, 1920, certain of said automobiles were exchanged for new and better machines and that it now desires permission to issue the $19,975 of stock to acquire the following:

One 20-passenger Chevrolet,
Two 20-passenger Bethlehems,
One 16-passenger Reo,
One 15-passenger Pierce-Arrow,
One 9-passenger Pierce-Arrow,
One 12-passenger Stevens-Duryea,

together with materials and supplies, the net present value of the equipment, materials and supplies being $24,175; a more complete description of the equipment, materials and supplies being contained in applicant's Exhibit "A," second supplemental application;

And the Commission being of the opinion that applicant's request should be granted; now, therefore,

It is hereby ordered, that Compton Transportation Company be and it is hereby authorized to issue on or before April 1, 1921, $19,975 of its common capital stock in exchange for the equipment and properties

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set forth in Exhibit "A" attached to the supplemental petition filed on February 1, 1921, in the above entitled matter.

It is hereby further ordered, that the order in Decision No. 7383, dated April 8, 1920, as amended, shall remain in full force and effect, except as modified by this second supplemental order.

Dated at San Francisco, California, this seventh day of February, 1921.

DECISION NO. 8615.

IN THE MATTER OF THE APPLICATION OF ONTARIO POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF SEVEN PER CENT PREFERRED STOCK.

Application No. 6480.
Decided February 10, 1921.

Glenn D. Smith, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Ontario Power Company asks permission to issue at par $50,000 of its 7 per cent cumulative preferred stock and use the proceeds to reimburse its treasury and pay for additions and betterments.

The testimony shows that to give adequate service in the community throughout which applicant operates, it is necessary for applicant at this time to expend approximately $25,720.07 for new lines, transformers, meters and other additions and betterments.

Applicant has agreed to construct the following new lines and in order to give the service required, will be obliged to purchase transformers and meters as follows:

Estimate L–1—13,750 feet 11,500 volt extension on Dessau street from Fern avenue west to Benson avenue, thence south on Benson avenue to Ely street and west on Ely street to Central avenue	$4,968 98
Estimate L–2—5,764 feet 11,500 2,200 volt extension to Schowalter well	2,649 82
Estimate L–3—28,685 feet 11,500 volt line from Turner avenue west to Ballou well; from Turner avenue east to Guasti well and south on Turner avenue to Langer well	8,921 12
Estimate L–4—6,600 feet 2,200 volt line on Grove avenue from Dessau street to Ely street	2,129 46
Estimate L–5—3,700 feet 2,200 volt line on San Bernardino avenue, from Campus avenue, to New Hotel at Sycamore Grove near Red Hill	1,250 28
Transformers	5,262 15
Meters	538 26
Total estimated cost of new lines, transformers and meters	$25,720 07

For the eleven months ending November 30, 1920, applicant reports, after providing for operating expenses, depreciation, taxes, interest and the customary dividend on its outstanding stock, surplus earnings

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of $24,135.34. As of November 30, 1920, applicant reports an accumulated profit of $59,516.27.

Glenn D. Smith, applicant's general manager, testified that the company's surplus earnings and profit have been invested in plant extensions, additions and betterments. Applicant reports that it has expended for plant extensions, additions and betterments from October 15, 1920, to December 31, 1920, the sum of $24,380.08, and that it has drawn upon its surplus earnings and profit to pay for these extensions, additions and betterments. A detailed statement of applicant's actual or proposed expenditures has been filed with the Commission. These have been examined by the engineering department of the Commission and found to be reasonable.

I herewith submit the following form of order:

ORDER.

Ontario Power Company, having applied to the Railroad Commission for permission to issue $50,000 of its 7 per cent cumulative preferred stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue, is reasonably required by applicant, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Ontario Power Company be and it is hereby authorized to issue and sell, for cash, at not less than par, $50,000 of its 7 per cent cumulative preferred stock and use $24,380.08 of the proceeds to reimburse its treasury on account of earnings invested in plant extensions, additions and betterments, from October 15 to December 31, 1920, and use the remainder of the proceeds to pay for line extensions, transformers, meters and other additions and betterments described in Exhibit "B" attached to its petition.

The authority herein given is subject to further conditions as follows:

1. Ontario Power Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

2. The authority herein granted will apply only to such stock as may be issued and sold on or before June 30, 1921.

The foregoing opinion and order are hereby approved and ordered

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filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of February, 1921.

DECISION NO. 8616.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO ISSUE ADDITIONAL BONDS IN THE AMOUNT OF NINE HUNDRED TWENTY-NINE THOUSAND THREE HUNDRED EIGHTY-NINE DOLLARS AND TWENTY-SIX CENTS, AND TO SELL OR PLEDGE THE SAME.

Application No. 6306.
Decided February 11, 1921.

LOVELAND, *Commissioner.*

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission, by Decision No. 8398, dated November 30, 1920, authorized Southern Counties Gas Company of California to issue $929,389.26 of its first mortgage 5½ per cent bonds, subject among others, to the condition that $501,713.60 of said bonds be not deposited as collateral, sold or otherwise disposed of, except as authorized by the Railroad Commission; and

Whereas, applicant in its first supplemental application in the above entitled matter reports that up to December 31, 1920, it has expended $195,789.87 for permanent extensions, betterments and improvements to its existing plants and properties, against which no bonds have been issued; and

Whereas, applicant, because of said expenditures, which have been examined and found reasonable by the engineering department of the Commission, asks permission to deposit $121,000 of said $501,713.60 of bonds, and a public hearing having been held and the Commission being of the opinion that the money, property, or labor to be procured or paid for by such issue of bonds is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income; now, therefore,

It is hereby ordered, that the order in Decision No. 8398, dated November 30, 1920, be and it is hereby modified so as to permit Southern Counties Gas Company of California to use $121,000 of the $501,713.60 first mortgage bonds covered by condition 2 of said order to secure in part the payment of $100,000 of Series B ten-year collateral

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trust 8 per cent gold bonds, provided that all moneys obtained through the deposit of the $121,000 of first mortgage bonds be used to reimburse applicant's treasury, and after such reimbursement to pay current indebtedness reported in the first supplemental application in Application No. 6306.

It is hereby further ordered, that said $121,000 of bonds shall be deposited at the ratio of $131.25 face value of first mortgage bonds for every $100 face value of 8 per cent collateral trust bonds issued, and that as the 8 per cent collateral trust bonds secured by first mortgage bonds are paid, a proper proportion of the first mortgage bonds deposited as collateral shall be returned to applicant, and thereafter not disposed of by applicant in any manner whatsoever, except as authorized by the Railroad Commission.

It is hereby further ordered, that the order in Decision No. 8398, dated November 30, 1920, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this eleventh day of February, 1921.

DECISION NO. 8617.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE ISSUANCE OF TEN-YEAR COLLATERAL TRUST GOLD BONDS, AND THE EXECUTION OF A TRUST DEED AND MORTGAGE SECURING SAME, AND THE PLEDGING OF FIRST MORTGAGE BONDS AS PART OF THE SECURITY THEREFOR.

Application No. 6307.

Decided February 11, 1921.

LOVELAND, *Commissioner*.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission, by Decision No. 8399, dated November 30, 1920, authorized Southern Counties Gas Company of California to execute a trust deed securing the payment of an authorized issue of $1,000,000 of ten-year collateral trust 8 per cent gold bonds and issue and sell at 95 per cent of their face value plus accrued interest, $400,000 of said bonds; and

Whereas, applicant in its first supplemental application filed in the above entitled matter asks permission to issue and sell $100,000 additional bonds (Series B) at 95 per cent of their face value plus accrued interest, and secure the payment of said $100,000 of 8 per cent bonds by the deposit of $131,400 of 5½ per cent first mortgage bonds; and

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Whereas, applicant reports that up to December 31, 1920, it has expended $195,789.87 for permanent extensions, betterments and improvements to its existing plant and properties; and

Whereas, the engineering department of the Railroad Commission has examined and found reasonable said expenditures, and a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of bonds is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income; now, therefore,

It is hereby ordered, that Southern Counties Gas Company of California be and it is hereby authorized to issue and sell for cash, on or before June 30, 1921, at not less than 95 per cent of their face value plus accrued interest, $100,000 of Series B ten-year collateral trust 8 per cent gold bonds, and use the proceeds to reimburse its treasury, and after such reimbursement pay current liabilities reported in the first supplemental application in Application No. 6306.

The authority herein granted is subject to further conditions, as follows:

1. The payment of the $100,000 of Series B ten-year collateral trust 8 per cent gold bonds may be secured by the deposit of $131,400 of applicant's 5½ per cent first mortgage bonds. As the ten-year collateral trust 8 per cent gold bonds are being redeemed, a proper proportion of applicant's first mortgage bonds deposited as collateral shall be returned to applicant and thereafter not disposed of in any manner whatsoever, except as authorized by the Commission.

2. Southern Counties Gas Company of California shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. 8he authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

Dated at San Francisco, California, this eleventh day of February, 1921.

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DECISION No. 8618.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY RELATIVE TO THE EXERCISE OF THE RIGHTS UNDER A CERTAIN FRANCHISE IN THE CITY OF BURBANK.

Application No. 6085.

Decided February 14, 1921.

A. D. Peat, D. E. Sweeney and *A. C. Johnston*, for Applicant.

BY THE COMMISSION.

OPINION.

Southern California Gas Company applies to the Railroad Commission for a certificate declaring that public convenience and necessity require and will require the exercise of the rights and privileges under a certain franchise of the city of Burbank.

At a hearing duly held in the city of Los Angeles it was shown that Southern California Gas Company had heretofore been operating in the city of Burbank under a franchise which contained a provision requiring Southern California Gas Company to complete the construction of its facilities for the distribution of gas thereunder within a period of three years from date of said franchise. This three-year period has elapsed.

Thereupon applicant applied for and was granted by the city of Burbank a franchise designated as Ordinance No. 140, dated July 13, 1920, for a term of forty years, which by its terms repeals the previous franchise, and grants to Southern California Gas Company the right not only to maintain and operate but likewise to lay and construct additions to its distributing system during its entire term. A certified copy of Ordinance No. 140 of the city of Burbank is filed with the application, and also a stipulation duly executed by the board of directors of Southern California Gas Company that it will never claim before the Railroad Commission or before any court or other public body a value for the rights and privileges secured under the franchise granted by Ordinance No. 140 of the city of Burbank in excess of the actual cost to Southern California Gas Company of acquiring said franchise, which cost is stated as the sum of $267.85. This stipulation is in form satisfactory to the Railroad Commission.

It appears that the exercise of the franchise rights granted to Southern California Gas Company by Ordinance No. 140 of the city of Burbank is essential for the proper conduct of the business of Southern California Gas Company and that public convenience and necessity require the immediate exercise thereof.

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ORDER.

Southern California Gas Company having applied to the Railroad Commission for an order declaring that public convenience and necessity require the exercise by it of the rights and privileges of a franchise granted under Ordinance No. 140 of the city of Burbank, a hearing having been duly held, and the Railroad Commission finding that public convenience and necessity require the exercise of said rights;

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by Southern California Gas Company of the rights and privileges acquired by it under the franchise designated as Ordinance No. 140 of the city of Burbank, dated July 13, 1920.

Dated at San Francisco, California, this fourteenth day of February, 1921.

DECISION NO. 8619.

IN THE MATTER OF THE APPLICATION OF MIDWAY GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY RELATIVE TO THE EXERCISE OF THE RIGHTS UNDER A CERTAIN FRANCHISE IN THE CITY OF BURBANK.

Application No. 6086.

Decided February 14, 1921.

A. D. Peat, D. E. Sweeney and *A. C. Johnston*, for Applicant.

BY THE COMMISSION.

OPINION.

Midway Gas Company applies to the Railroad Commission for a certificate declaring that public convenience and necessity require and will require the exercise of the rights and privileges under a certain franchise of the city of Burbank.

At a hearing duly held in the city of Los Angeles it was shown that Midway Gas Company had heretofore been operating in the city of Burbank under a franchise designated as Ordinance No. 28. This franchise contained a provision requiring Midway Gas Company to complete the construction of its facilities for the distribution of gas thereunder within a period of three years from date of said franchise, which three-year period has elapsed.

Thereupon applicant applied for and was granted by the city of Burbank a franchise designated as Ordinance No. 141, dated July 13, 1920, for a term of forty years, which by its terms repeals the previous franchise and grants to Midway Gas Company the right not only to maintain and operate but likewise to law and construct additions to its distributing system during its entire life. A certified copy of Ordinance

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No. 141 of the city of Burbank is filed with the application and also a stipulation duly executed by the board of directors of Midway Gas Company that it will never claim before the Railroad Commission or before any court or other public body a value for the rights and privileges secured under franchise granted by Ordinance No. 141 of the city of Burbank in excess of the actual cost to Midway Gas Company of acquiring said franchise, which cost is stated as the sum of $249.40. This stipulation is in form satisfactory to the Railroad Commission.

It appears that the exervise of the franchise rights granted to Midway Gas Company by Ordinance No. 141 of the city of Burbank is essential for the proper conduct of the business of Midway Gas Company and that public convenience and necessity require the immediate exercise thereof.

ORDER.

Midway Gas Company having applied to the Railroad Commission for an order declaring that public convenience and necessity require the exercise by it of the rights and privileges of a franchise granted under Ordinance No. 141 of the city of Burbank, a hearing having been duly held and the Railroad Commission finding that public convenience and necessity require the exercise of said rights;

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by Midway Gas Company of the rights and privileges acquired by it under the franchise designated as Ordinance No. 141 of the city of Burbank, dated July 13, 1920.

Dated at San Francisco, California, this fourteenth day of February, 1921.

DECISION NO. 8620.

IN THE MATTER OF THE APPLICATION OF MIDWAY GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY RELATIVE TO THE EXERCISE OF THE RIGHTS UNDER A CERTAIN FRANCHISE IN THE CITY OF GLENDALE.

Application No. 6087.

Decided February 14, 1921.

A. D. Peat, D. E. Sweeney and *A. C. Johnston*, for Applicant.

BY THE COMMISSION.

OPINION.

Midway Gas Company applies to the Railroad Commission for a certificate declaring that public convenience and necessity require and will require the exercise of the rights and privileges under a certain franchise of the city of Glendale.

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At the time of the hearing Midway Gas Company had made application to the board of trustees of the city of Glendale for a franchise which would grant to Midway Gas Company the right to lay, construct, maintain and operate a pipe line system for a period of forty years within the said city of Glendale, and a copy of the notice of sale of this franchise is attached to the application.

Thereafter the city of Glendale, by its ordinance duly enacted on the fourteenth day of October, 1920, granted to Midway Gas Company a franchise substantially as applied for, which franchise supersedes the one under which applicant had theretofore operated. A certified copy of this franchise has been filed with the Railroad Commission.

Midway Gas Company has filed with the Railroad Commission a stipulation duly executed by its board of directors declaring that Midway Gas Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body a value for the rights and privileges secured under Ordinance No. 404 of the city of Glendale in excess of the actual cost to Midway Gas Company of acquiring said franchise, which cost is stated as $498.20. This stipulation is in form satisfactory to the Railroad Commission.

It appears that the exercise of the franchise rights granted to Midway Gas Company by Ordinance No. 404 of the city of Glendale is essential for the proper conduct of the business of Midway Gas Company and that public convenience and necessity require the immediate exercise thereof.

ORDER.

Midway Gas Company having applied to the Railroad Commission for an order declaring that public convenience and necessity require the exercise by it of the rights and privileges of a franchise granted under Ordinance No. 404 of the city of Glendale, a hearing having been duly held and the Railroad Commission finding that public convenience and necessity require the exercise of said rights;

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by Midway Gas Company of the rights and privileges acquired by it under the franchise designated as Ordinance No. 404 of the city of Glendale, dated October 14, 1920.

Dated at San Francisco, California, this fourteenth day of February, 1921.

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DECISION No. 8621.

IN THE MATTER OF THE APPLICATION OF MIDWAY GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY RELATIVE TO THE EXERCISE OF THE RIGHTS UNDER A CERTAIN FRANCHISE IN THE COUNTY OF LOS ANGELES.

Application No. 6088.

Decided February 14, 1921.

A. D. Peat, D. E. Sweeney and *A. C. Johnston*, for Applicant.

BY THE COMMISSION.

OPINION.

Midway Gas Company applies to the Railroad Commission for a certificate declaring that public convenience and necessity require and will require the exercise of the rights and privileges under a certain franchise of the county of Los Angeles.

At a hearing duly held in the city of Los Angeles it was shown that Midway Gas Company had heretofore operated in the county of Los Angeles under a franchise which contained a provision requiring Midway Gas Company to complete the construction of its facilities for the distribution of gas thereunder within a period of three years from date of said franchise. This three-year period has elapsed.

Thereupon applicant applied for and was granted by the county of Los Angeles a franchise designated as Ordinance No. 630, dated August 9, 1920, for a term of forty years, which by its terms repeals the previous franchise and grants to Midway Gas Company the right not only to maintain and operate, but likewise to lay and construct additions to its distributing system during its entire term. A certified copy of Ordinance No. 630 of the county of Los Angeles is filed with the application.

Midway Gas Company has also filed with the Railroad Commission a stipulation duly executed by its board of directors declaring that Midway Gas Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body a value for the rights and privileges secured under Ordinance No. 630 of the county of Los Angeles in excess of the actual cost of Midway Gas Company of acquiring said franchise, which cost is stated as $289.80. This stipulation is in form satisfactory to the Railroad Commission.

It appears that the exercise of the franchise rights granted Midway Gas Company by Ordinance No. 630 of the county of Los Angeles is essential for the proper conduct of the business of Midway Gas Company and that public convenience and necessity require the immediate exercise thereof.

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ORDER.

Midway Gas Company having applied to the Railroad Commission for an order declaring that public convenience and necessity require the exercise by it of the rights and privileges granted under Ordinance No. 630 of the county of Los Angeles, a hearing having been duly held and the Railroad Commission finding that public convenience and necessity require the exercise of said rights;

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by Midway Gas Company of the rights and privileges acquired by it under the franchise designated as Ordinance No. 630 of the county of Los Angeles, dated August 9, 1920.

Dated at San Francisco, California, this fourteenth day of February, 1921.

DECISION No. 8622.

IN THE MATTER OF THE APPLICATION OF MIDWAY GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY RELATIVE TO THE EXERCISE OF THE RIGHTS UNDER A CERTAIN FRANCHISE IN THE CITY OF LOS ANGELES.

Application No. 6089.

Decided February 14, 1921.

A. D. Peat, D. E. Sweeney and *A. C. Johnston*, for Applicant.

BY THE COMMISSION.

OPINION.

Midway Gas Company applies to the Railroad Commission for a certificate declaring that public convenience and necessity require and will require the exercise of the rights and privileges under a certain franchise of the city of Los Angeles.

At the time of the hearing Midway Gas Company had made application to the city council of the city of Los Angeles for a franchise which would grant to Midway Gas Company the right to lay, construct, maintain and operate a pipe line system for a period of twenty-one years within the said city of Los Angeles, and a copy of the notice of sale of this franchise is attached to the application.

Thereafter the city of Los Angeles, by its Ordinance No. 40834 New Series, duly enacted on the twenty-third day of September, 1920, granted to Midway Gas Company a franchise substantially as applied for, which franchise supersedes the one under which applicant had theretofore operated. A certified copy of this franchise has been filed with the Railroad Commission.

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Midway Gas Company has also filed with the Railroad Commission a stipulation duly executed by its board of directors declaring that Midway Gas Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body a value for the rights and privileges secured under Ordinance No. 40384 New Series of the city of Los Angeles in excess of the actual cost to Midway Gas Company of acquiring said franchise, which cost is stated as $100. This stipulation is in form satisfactory to the Railroad Commission.

It appears that the exercise of the franchise rights granted Midway Gas Company by Ordinance No. 40384 New Series of the city of Los Angeles is essential for the proper conduct of the business of Midway Gas Company and that public convenience and necessity require the immediate exercise thereof.

ORDER.

Midway Gas Company having applied to the Railroad Commission for an order declaring that public convenience and necessity require the exercise by it of the rights and privileges granted under Ordinance No. 40384 New Series of the city of Los Angeles, a hearing having been duly held and the Railroad Commission finding that public convenience and necessity require the exercise of said rights;

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by Midway Gas Company of the rights and privileges acquired by it under the franchise designated as Ordinance No. 40384 New Series of the city of Los Angeles, dated September 23, 1920.

Dated at San Francisco, California, this fourteenth day of February, 1921.

DECISION NO. 8623.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY RELATIVE TO THE EXERCISE OF THE RIGHTS UNDER A CERTAIN FRANCHISE IN THE CITY OF EAGLE ROCK.

Application No. 6233.

Decided February 14, 1921.

A. D. Peat, D. E. Sweeney and *A. C. Johnston*, for Applicant.

BY THE COMMISSION.

OPINION.

Southern California Gas Company applies to the Railroad Commission for a certificate declaring that public convenience and necessity require and will require the exercise of the rights and privileges under a certain franchise of the city of Eagle Rock.

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At the time of the hearing Southern California Gas Company had made application to the board of trustees of the city of Eagle Rock for a franchise which will grant to Southern California Gas Company the right to lay, construct, maintain and operate a pipe line system for a period of forty years within the said city of Eagle Rock, and a copy of the notice of sale of this franchise is attached to the application.

Subsequent to the hearing herein, the city of Eagle Rock, by its Ordinance No. 171, duly enacted on the sixth day of December, 1920, granted to Southern California Gas Company a franchise substantially as applied for, which franchise supersedes the one under which applicant had theretofore operated. A certified copy of this franchise has been duly filed with the Railroad Commission.

Southern California Gas Company has also filed with the Railroad Commission a stipulation duly executed by its board of directors declaring that Southern California Gas Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body a value for the rights and privileges secured under Ordinance No. 171 of the city of Eagle Rock in excess of the actual cost to Southern California Gas Company of acquiring said franchise, which cost is stated as $239.60. This stipulation is in form satsfactory to the Railroad Commission.

It appears that the exercise of the franchise rights granted to Southern California Gas Company by Ordinance No. 171 of the city of Eagle Rock is essential for the proper conduct of the business of Southern California Gas Company and that public convenience and necessity require the immediate exercise thereof.

ORDER.

Southern California Gas Company having applied to the Railroad Commission for an order declaring that public convenience and necessity require the exercise by it of the rights and privileges granted under Ordinance No. 171 of the city of Eagle Rock, a hearing having been duly held and the Railroad Commission finding that public convenience and necessity require the exercise of said rights;

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by Southern California Gas Company of the rights and privileges acquired by it under the franchise designated as Ordinance No. 171 of the city of Eagle Rock, dated December 6, 1920.

Dated at San Francisco, California, this fourteenth day of February, 1921.

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DECISION NO. 8624.

IN THE MATTER OF THE APPLICATION OF THE WEST RIVERSIDE CANAL COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE USE OF CERTAIN MONEYS REMAINING FROM THE SALE OF BONDS FOR THE IMPROVEMENT OF THE PROPERTY OF THE COMPANY.

Supplemental Application No. 2641.
Decided February 16, 1921.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 4040, dated January 20, 1917, authorized West Riverside Canal Company to issue and sell $60,000 of its 6 per cent serial bonds and use the proceeds to pay in part for what is known as the "West Riverside Canal," pay indebtedness and pay for certain improvements; and

Whereas, applicant reports that it has remaining in a special account $2,681.86 of the proceeds from the sale of the bonds and that by using this money to enlarge 2000 feet of the canal by removing one side, widening the bottom and putting in a new side and bottom of concrete, and by raising the sides of the canal for an additional 500 feet and building up the side walls of the canal, it can carry from 250 to 300 inches of additional water and thus secure an increased revenue; and

Whereas, it appears that this is not a matter requiring a public hearing and that applicant's request should be granted; now, therefore,

It is hereby ordered, that West Riverside Canal Company be and it is hereby authorized to use $2,681.86 remaining from the sale of the bonds, the issue of which was authorized by Decision No. 4040, dated January 20, 1917, to pay for the improvements to its canal system mentioned in this supplemental order and more particularly described in the supplemental application filed on January 13, 1921, in the above entitled matter.

Provided, that applicant file with the Commission on or before the twenty-fifth day of each month, until all of said $2,681.86 have been expended, a report showing the amount expended during the preceding month and the purposes for which said expenditures were made.

Dated at San Francisco, California, this sixteenth day of February, 1921.

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DECISION NO. 8625.

IN THE MATTER OF THE APPLICATION OF COAST VALLEYS GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF THREE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS.

Application No. 6204.
Decided February 18, 1921.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission, by Decision No. 8409, dated November 30, 1920, authorized Coast Valleys Gas and Electric Company to issue and sell $220,000 of 10-year 8 per cent notes subject, among others, to the condition that the authority to issue and sell said notes will not become effective until the Railroad Commission has authorized the execution of the collateral trust agreement defining the terms and conditions under which the notes will be issued; and

Whereas, applicant has filed with the Railroad Commission a copy of its proposed collateral trust agreement, and such agreement being in satisfactory form; now, therefore,

It is hereby ordered, that Coast Valleys Gas and Electric Company be and it is hereby authorized to execute a collateral trust agreement substantially in the same form as the collateral trust agreement filed in this proceeding on February 8, 1921, as amended by the amendment to the first supplemental application filed February 16, 1921, provided that the approval herein given of said collateral trust agreement is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said collateral trust agreement as to such other legal requirements to which said collateral trust agreement may be subject.

It is hereby further ordered, that the order in Decision No. 8409, dated November 30, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this eighteenth day of February, 1921.

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DECISION No. 8626.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO-RICHMOND FERRY COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK OF THE PAR VALUE OF EIGHT HUNDRED THOUSAND DOLLARS.

Application No. 5097.
Decided February 19, 1921.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8144, dated September 24, 1920, as amended, authorized applicant in the above entitled matter to issue and sell at not less than $85 per share, 8000 shares of common stock; and

Whereas, applicant asks permission to issue five shares of said stock and use $45.24 of the proceeds from the sale of stock to pay the expenditures incurred for preliminary design and cost estimates of ferry slip and Ellis Landing, which expenditures are reported in detail at $545.24; and

Whereas, the engineering department of the Commission has examined the charges and finds them to be reasonable, and the Commission being of the opinion that applicant's request should be granted; now, therefore,

It is hereby ordered, that the order in Decision No. 8144, dated September 24, 1920, as amended, be and it is hereby modified so as to permit San Francisco-Richmond Ferry Company to issue to Fred H. Tibbetts five shares of said 8000 shares of stock and use $45.24 of the proceeds from the sale of the stock authorized by said Decision No. 8144, dated September 24, 1920, in payment for bill of $545.24 filed with the Commission on January 3, 1921.

It is hereby further ordered, that the order in Decision No. 8144, dated September 24, 1920, as amended, shall remain in full force and effect, except as modified by this second supplemental order.

Dated at San Francisco, California, this nineteenth day of February, 1921.

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DECISION NO. 8637.

GEORGE W. KENNEDY AND WILLIAM J. KENNEDY

vs.

O. C. ABBOTT AND JANE DOE ABBOTT, HIS WIFE.

Case No. 1503.

Decided February 21, 1921.

JURISDICTION—WATER DISTRIBUTION SYSTEMS—WHEN NOT PUBLIC UTILITIES.—An individual who has sold surplus water to his neighbors with the express understanding that such service will continue only so long as he has water to spare and has never at any time held himself out as a water utility nor dedicated the water from his well for public use, is not a public utility water company as defined by the Public Utilities Act and is therefore not subject to the jurisdiction of the Railroad Commission. Complaint dismissed.

Reginald W. Clapp, for Complainants.

O. C. Abbott, for Defendants.

BY THE COMMISSION.

OPINION.

The complaint alleges that complainant G. W. Kennedy purchased land from defendant O. C. Abbott about May 1, 1919, as agent for the owner upon the representation and assurance that Mr. Abbott would furnish water for domestic purposes and for poultry at the rate of $1.50 per month from his well upon adjoining land, but that said defendant has failed and refused to furnish water since June 1, 1920. The answer admits the allegations, but says that the water was to be furnished only so long as defendant had water to spare and that it was so furnished until July, 1920, when the well went dry.

A public hearing on the matter was held by Examiner Westover at Los Angeles.

It appears from the undisputed testimony that defendants began furnishing water about five years ago to E. E. Kidder, a neighbor across the road from their ranch near Newhall, at an agreed rate of $1.50 per month, it being expressly agreed that the service would continue only so long as defendants had water to spare. Subsequently defendants furnished water, under the same terms and conditions, for a comparatively short time to W. E. Voorhies, another neighbor, under the express agreement that the service would continue only so long as defendants had water to spare. The only other water sold by defendants for use on property other than their own was that sold to complainants for use on their fifteen-acre ranch near defendants' property. It appears that defendants have made no effort to sell water to the public; have not held themselves out as a water utility, and have not at any time intended to dedicate the water from their well or any part of it to public use.

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It further appears that complainants, relying upon their ability to get water from defendants' well, have made a considerable investment in the property and improvements.

We are satisfied that the testimony does not show a dedication of water to public use and that, under the decisions of the Supreme Court, defendants are not operating a public utility and are, therefore, not subject to the jurisdiction of the Railroad Commission.

ORDER.

A public hearing having been held on the above entitled case, the matter being submitted and ready for decision, and it appearing from the testimony that the Commission is without jurisdiction to order any relief;

It is hereby ordered, that the complaint be and it is hereby dismissed.

Dated at San Francisco, California, this twenty-first day of February, 1921.

DECISION No. 8638.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY, FOR AN ORDER OF THE RAILROAD COMMISSION ESTABLISHING RATES TO BE CHARGED BY IT FOR GAS AND ELECTRICITY.

Application No. 6078.
Decided February 21, 1921.

OPERATING EXPENSES—FRANCHISE TAX—INCLUDED IN.—As a result of new franchises required to be obtained by applicant from the city of San Diego by which it must pay that municipality a percentage of its gas and electric revenues other than those derived from lighting service, its operating expenses have been increased and the Commission has no other recourse than to include such increase cost in rates paid by applicant's consumers.

GAS RATES—HEAT CONTENT OF GAS—REDUCTION IN.—When it is shown that economies in operation can be effected through the reduction of heat content required in gas generated and delivered by a utility, and such reduction is allowed, which will result in an increased consumption of gas, the increase in sales will be considered in establishing the rates to be paid for such service.

Revised schedule of electric rates containing increases of from 10 to 15 per cent established together with increase of approximately 20 per cent in rates for gas service, all schedules to become effective for meter readings taken on and after March 10, 1921, in connection with which the Commission calls attention to the fact that changes in economic conditions in the future may afford applicant the opportunity of substantially reducing its operating costs and that the rates herein established are always subject to further consideration upon a showing of an experienced reduction in the costs of service.

Cummins, Roemer, Flynn and McKenna and *Sweet, Stearns and Forward*, by *F. W. Stearns*, and *Chickering and Gregory*, by *Allen L. Chickering*, for Applicant.

S. J. Higgins, City Attorney, and *W. C. Earle*, Consulting Engineer, for City of San Diego.

Ray M. Harris, City Attorney, for National City.

L. N. Turrentine, for City of Escondido.

Arthur P. French, for East San Diego.

F. B. Andrews, for Chula Vista.

E. R. Estey, for Coronado.

LOVELAND, *Commissioner.*

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OPINION.

In this proceeding San Diego Consolidated Gas and Electric Company asks that the Railroad Commission investigate all of its rates for gas and electricity and thereafter establish just and reasonable rates to be charged for such service in the territory served by it.

The matter was duly heard in the city of San Diego, at which time evidence was presented as to present and future conditions affecting both the gas and electric business of applicant.

The rates now charged for gas and electricity by San Diego Consolidated Gas and Electric Company were established by Decision No. 6281 in Application No. 4052, dated April 23, 1919, at which time this Commission revised and increased the rates theretofore in effect and added certain surcharges to applicant's electric rates which by subsequent Decision No. 7303, dated March 22, 1920, were continued in effect until further order of the Commission. The present proceeding, therefore, contemplates the establishment of rates for gas and electricity of a more stable character than those heretofore in effect, which will properly reflect the expenses incurred in applicant's business and a return upon the fair value of its properties.

Applicant shows that its operating expenses in both its gas and electric departments have increased substantially and that they are now on a higher level than the expenses heretofore considered as reasonable in fixing its rates. This is especially true in respect to the cost of fuel oil, which has constantly increased in price since 1917. It appears from the evidence herein that during the year 1921 applicant will be required to pay for fuel oil delivered to its gas and electric plants at San Diego an average price of $2.30 per barrel. During the year 1920 applicant paid $1.70 per barrel for fuel oil, but its contract at this price has expired and, although it is unable to obtain a contract for any period in the future at a definite price, indications are that the cost of oil to it will be 60 cents per barrel higher than the 1920 cost. All but a small portion of applicant's electricity is generated in its steam plant at San Diego using oil as a fuel and the cost of oil constitutes the major item of expense in the manufacture of gas. Salaries and wages paid to employees have also increased, resulting in higher operating expenses. As a result of new franchises recently acquired from the city of San Diego applicant is required to pay to that municipality a percentage of its gas and electric revenues other than those derived from lighting service. This constitutes an additional operating expense that the Commission has no other recourse than to include in the costs to be absorbed in rates paid by applicant's consumers.

In considering the extent of applicant's service as affecting the rates to be charged, due consideration must be had for the experienced

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return to a normal rate of growth following the sudden abnormal changes in its business occasioned by war activities and their gradual reduction during the last three years.

Applicant presents for the consideration of the Commission its actual operating revenues and expenses for the year ending August 31, 1920, together with an estimate of revenues and operating expenses to be incurred during the year 1921, the latter being based upon conditions which it anticipates will prevail in its business. As a basis for the value of its properties, applicant submits figures bringing up to date the values heretofore established by this Commission in Decision No. 3839 in Application No. 1925, by the addition of its actual net capital expenditures since incurred.

For the purpose of establishing rates herein I shall adopt the segregation heretofore used for the several parts of applicant's business and consider separately:

1. Rates for electric service over the entire territory supplied by San Diego Consolidated Gas and Electric Company in San Diego County.

2. Rates for gas service in San Diego district, which embraces the municipalities of San Diego, National City, La Mesa, Coronado, East San Diego, Chula Vista and the contiguous territory.

3. Rates for gas service in the city of Escondido.

There has been deduced from the evidence herein the following table, which sets forth the revenue to be derived under existing rates from the sales of electricity by applicant throughout its entire territory and the reasonable operating expenses to be incurred in connection with such service.

TABLE 1.

San Diego Consolidated Gas and Electric Company—Electric Department—Revenues and Expenses.

Gross revenue from existing rates:		
Electric sales	$1,456,768	
Miscellaneous electric revenue	11,000	
Total gross electric revenue		$1,467,758
Operating expenses:		
Production expense, including fuel oil, purchased power, operation, and maintenance of production plant	$592,155	
Transmission and distribution expenses, including operation and maintenance	106,000	
Commercial expenses	54,000	
General expenses	97,300	
Taxes	117,510	
Insurance	15,500	
Uncollectible bills	2,000	
Depreciation annuity	123,100	
Total operating expenses		1,107,565
Net income available for return		$360,193

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The items set forth in the above table are based upon an increase in electric sales aggregating 6 per cent over those for the year ending August 31, 1920. In producing the electricity to be supplied, applicant will use at its electric generating station 223,150 barrels of oil at a probable cost of $2.30 per barrel and in addition to the energy thus generated will purchase small quantities from other sources. All other operating expenses are intended to reflect the reasonable cost of labor, materials and other items entering into them.

Of the increased costs of electric operations $133,890 is due solely to the increased cost of oil to applicant, and additional taxes to the extent of $5800 arise from the new 2 per cent franchise tax now payable to the city of San Diego. In ascertaining the reasonable revenue and expenses of applicant's electric operations the figures used herein are based upon $54,358 greater revenue and $46,148 less expense than is set forth in applicant's exhibits.

The value of applicant's electric properties on the basis heretofore set forth and inclusive of fair allowances for working cash capital and materials and supplies to be considered in connection with its electric operations herein is the sum of $5,333,138, upon which the net income of $306,193 to be derived from the present rates and charges for electricity results in a return of approximately 5.75 per cent.

It thus appears that the increased operating expenses to which applicant's electric operations are now subject will result in an insufficient earning upon the value of its electric properties unless its electric rates be increased so as to afford it a fair return. The electric rates set forth in the order herein, which contemplate an increase over the present basis of charges of from 10 to 15 per cent, are designed to provide sufficient additional revenue to permit applicant to earn a fair return, thereby meeting the increased operating expenses to which its electric business is now subject and, as herein established, will supersede the present schedules and surcharges now in effect.

An analysis of applicant's gas operations in the city of San Diego and vicinity, upon which our consideration of rates is now based, shows that under present conditions the revenue and reasonable expenses incident to such business will be as follows:

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TABLE 2.

San Diego Consolidated Gas and Electric Company—Gas Department, San Diego District—Revenue and Expenses.

Gross revenue from existing rates:		
Gas sales	$1,143,760	
Miscellaneous gas revenue	2,100	
Total gross gas revenue		$1,145,860
Operating expenses:		
Production, including oil for gas, steam and electricity used in gas manufacture, operating expenses and maintenance of production plant	$699,288	
Transmission and distribution expenses, including maintenance and operation	110,400	
Commercial expenses	39,300	
General expenses	72,917	
Taxes	104,897	
Insurance	9,500	
Uncollectible bills	1,550	
Depreciation	67,000	
Total gas operating expenses		1,104,852
Net income available for return		$41,008

The revenue and expenses set forth in the above table for applicant's gas business in San Diego and vicinity are based upon a normal increase in its sales of gas for the year ending August 31, 1920, and in addition thereto further increases in the sales of gas, by reason of a reduction in the heating value of the gas to be supplied. A reduced heat content gas in San Diego appears to be productive of certain efficiencies in the operation of the combination oil and water gas process employed, by reason of the lower grade of oil now supplied. Under the auspices of this Commission an investigation has been conducted into the operation of applicant's gas generating plant and as a result thereof it has been recommended by the Commission's engineers that the heat content of gas supplied be reduced, pending further determination of the best quality of gas. A reduction in the heating value will probably result in the consumption of a larger quantity of gas by applicant's consumers and allowance has been made for this factor in the consideration of both revenue and operating expenses of applicant's gas business. The rates hereinafter fixed for gas service are therefore based upon the service of gas of an average heating value of 540 B.t.u. per cubic foot, which appears to be the quality of gas best suited to present conditions of manufacture and oil used. Authority for this change in gas quality is therefore granted in the order herein.

The expenses of gas operations set forth in the above table reflect an increase of over $150,000 in the cost of oil used in gas manufacture, and a further increase in expenses amounting to $18,400 is due to the newly established 2 per cent franchise tax of the city of San Diego. The figures used herein in ascertaining the gas rates to be charged by applicant show an increase of $46,500 in gross revenue and a decrease

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of $38,585 in operating expenses from the figures submitted in applicant's exhibits.

A fair value of the gas properties used in applicant's San Diego district, upon the basis hereinbefore set forth and inclusive of a fair allowance of working cash capital and materials and supplies, is $3,874,160. It would appear from the foregoing analysis of revenue and operating expenses that the increased costs of gas operations without a corresponding increase of the rates charged for this service would result in a return of but 1.06 per cent on the above value of the gas properties used in this service. In order to meet the operating expenses which appear necessary in the conduct of applicant's gas business and to permit applicant to earn a more reasonable return from its gas service in the city of San Diego and vicinity, an increase in its existing gas rates approximating 20 per cent of the present scale of charges is required. The gas rates set forth in the order herein are intended to permit of such.

A minor portion of applicant's business is involved in its gas service to the city of Escondido, which is supplied from a small plant located therein and entirely apart from the other and larger gas service in and about San Diego. The operations of the Escondido gas properties of applicant have been subject to similar increases in the cost of oil used in gas manufacture and in the costs of labor incident to its operations, and it appears that the revenue of $11,670 to be derived from the existing rates from the sale of gas in Escondido is insufficient to meet the operating expenses of and the depreciation on this portion of its properties. To compensate for the increased cost of operation in its Escondido gas operations and provide for the applicant only the nominal return which it has heretofore earned in this portion of its business it will be necessary to increase the present rates for gas service in Escondido in order to provide sufficient revenue to meet expenses and provide a nominal return. The rates set forth in the order herein, providing an increase of from 12 to 15 per cent, are intended to meet this loss.

The rates established in the order herein for both gas and electricity will, after the payment of reasonable operating expenses and depreciation, permit applicant to earn a return of approximately 8.3 per cent upon the fair value of all of its properties used in the public service.

In establishing increased gas and electric rates to be charged by applicant at this time, the Commission is mindful of the fact that changes in economic conditions in the future may afford applicant the opportunity of substantially reducing its operating costs, and the rates herein established are always subject to further consideration by this

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Commission upon a showing of an experienced reduction in the costs of service.

ORDER.

San Diego Consolidated Gas and Electric Company having applied to the Railroad Commission for a revision of its rates and charges for gas and electricity, a hearing having been held, the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates for gas and electricity now charged by San Diego Consolidated Gas and Electric Company are not fair or reasonable rates and that the rates hereinafter established are, under existing conditions, fair and reasonable rates to be charged by San Diego Consolidated Gas and Electric Company for gas and electric service.

Based on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered, that San Diego Consolidated Gas and Electric Company be and it is hereby authorized to charge for electric service in accordance with the following schedules of rates, effective for all regular meter readings taken on and after the tenth day of March, 1921:

ELECTRIC SCHEDULE NO. 1.

General Residence and Commercial Lighting.

This schedule applies to all classes of alternating current for lighting service; also for electric energy used by electric lamp socket appliances, small motor installations operating to serve lighting appliances, X-ray machines and other services used directly or indirectly for the production of light.

Territory.

Applicable in the San Diego District.

Rate.

	Rate per kilowatt hour Gross	Net
First 100 kilowatt hours per meter per month	10 cents	9 cents
Next 400 kilowatt hours per meter per month	-------	8 cents
Next 1,500 kilowatt hours per meter per month	-------	6 cents
Next 2,000 kilowatt hours per meter per month	-------	5 cents
All over 4,000 kilowatt hours per meter per month	-------	4 cents

Minimum charge.

The minimum is $1 gross or 90 cents net per meter per month for lighting. In case power is used the minimum charge is $1 per month per horsepower connected, but not less than $1 per month.

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid on or before the date due as shown on the bill rendered.

ELECTRIC SCHEDULE NO. 2.

General Residence and Commercial Lighting Service.

This schedule applies to all classes of alternating current for lighting service, also for electric energy used by electric lamp socket appliances, small motor installations operating to serve ighting appliances, X-ray machines and other services used directly or indirectly for the production of light.

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Territory.

Applicable to the northern district, including Del Mar, Oceanside, Escondido, Fallbrook, Capistrano and intervening territory.

Rate.

	Rate per kilowatt hour Gross	Net
First 30 kilowatt hours per meter per month	12 cents	11 cents
Next 70 kilowatt hours per meter per month	10 cents	9 cents
Next 400 kilowatt hours per meter per month	-------	8 cents
Next 1,500 kilowatt hours per meter per month	-------	6 cents
Next 2,000 kilowatt hours per meter per month	-------	5 cents
All over 4,000 kilowatt hours per meter per month	-------	4 cents

Minimum charge.

The minimum charge will be $1.10 gross or $1 net per meter per month for lighting. In case power is used the minimum charge is $1 per month per horsepower connected, but not less than $1 per month.

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid on or before the date due as shown on the bill rendered.

ELECTRIC SCHEDULE NO. 3.
Sign Display and Outline Lighting.

The rates and charges set forth in Schedule No. 3, C. R. C. Sheets No. 242-E and No. 243-E of San Diego Consolidated Gas and Electric Company issued October 1, 1919, and now on file with the Railroad Commission, increased by 25 per cent of the rates and charges therein set forth.

ELECTRIC SCHEDULE NO. 4.
Direct Current Power Service.

Applicable to 500-volt direct current power service for elevators and variable speed motors to which three-phase alternating current is not easily adapted.

Territory.

Applicable to the central business district of San Diego.

Rate.

First 100 kilowatt hours per meter per month	7.5 cents per kilowatt hour
Next 100 kilowatt hours per meter per month	6.5 cents per kilowatt hour
Next 100 kilowatt hours per meter per month	5.5 cents per kilowatt hour
Next 200 kilowatt hours per meter per month	4.5 cents per kilowatt hour
Next 500 kilowatt hours per meter per month	3.5 cents per kilowatt hour
All over 1,000 kilowatt hours per meter per month	2.5 cents per kilowatt hour

Minimum charge.

$1 per horsepower of connected load per month.

ELECTRIC SCHEDULE NO. 5.
General Power Service.

Applicable to all alternating current energy furnished either three-phase or single-phase at 220 volts, 440 volts or 2200 volts, 60-cycle frequency.

Territory.

Applicable throughout the entire territory served.

Rate.

Monthly consumption per horsepower	Rate per kilowatt hour for connected loads or maximum demands of: 1 h.p. to 4 h.p.	5 h.p. to 9 h.p.	10 h.p. to 24 h.p.	25 h.p. to 49 h.p.	50 h.p. to 99 h.p.	100 h.p. to 499 h.p.	500 h.p. and over
First 50 kilowatt hours	6.5¢	5.5¢	4.5¢	3.5¢	3.0¢	2.7¢	2.5¢
Next 100 kilowatt hours	3.5	3.3	3.0	2.8	2.4	2.2	2.0
All over 150 kilowatt hours	2.5	2.3	2.0	1.9	1.7	1.4	1.2

Minimum charge and special conditions.

As set forth in C. R. C. Sheets Nos. 245-E and 246-E, issued October 1, 1919, and now on file with the Railroad Commission.

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ELECTRIC SCHEDULE NO. 6.
Optional Industrial Power Rate.

This schedule covers all alternating current energy furnished either three-phase or single phase at 2200 volts, 440 volts, or 2200 volts, 60-cycle frequency.

Territory.

Applicable throughout the entire territory served.

Rate.

1. Readiness-to-serve charge:
   - First 5 horsepower or less of connected load or maximum demand, per month ---------- $5.00
   - All over 5 horsepower of connected load or maximum demand, per horsepower per month ---------- 1.00
2. Plus energy charge:
   - First 500 kilowatt hours per meter per month----2.5 cents per kilowatt hour
   - Next 1,500 kilowatt hours per meter per month --2.0 cents per kilowatt hour
   - Next 8,000 kilowatt hours per meter per month --1.6 cents per kilowatt hour
   - Next 20,000 kilowatt hours per meter per month-1.4 cents per kilowatt hour
   - All over 30,000 kilowatt hours per meter per month ----------1.2 cents per kilowatt hour

Special conditions.

1. Rate on maximum basis is only applicable where two or more motors are installed.

2. The maximum demand as herein referred to is the highest average load in horsepower determined for a period of twenty minutes during the month or the eleven months immediately preceding.

ELECTRIC SCHEDULE NO. 7.
Agricultural Power Service.

This schedule applies to energy used for agricultural power service and municipal or water company pumping plants. Standard single-phase or 3-phase service is rendered at 220, 440 or 2200 volts, 60-cycle frequency.

Territory.

Applicable to the entire territory served by the company.

Rate.

Annual consumption per horsepower	Rate per kilowatt hour for active loads of			
	2 h.p. to 9 h.p.	10 h.p. to 24 h.p.	25 h.p. to 99 h.p.	100 h.p. and over
First 400 kilowatt hours	4.0¢	3.5¢	3.0¢	2.7¢
All over 400 kilowatt hours	2.5	2.4	2.3	2.1

Minimum charge.

Twelve dollars per horsepower of active loads per year, but not less than $24 per year, payable at the rate of $1 per horsepower of active load per month.

Special conditions.

As set forth in C. R. C. Sheet No. 248-E, issued October 1, 1919, and now on file with the Railroad Commission.

ELECTRIC SCHEDULE NO. 8—(OPTIONAL).
Agricultural Power Service.

This schedule applies to energy used for agricultural power service and municipal or water company pumping plants. Standard single-phase or 3-phase service is rendered at 220, 440 or 2200 volts, 60-cycle frequency.

Territory.

Applicable to the entire territory served by the company.

Rate.

1. Readiness-to-serve charge:
   - First 5 horsepower or less of active load, $50 per year.
   - All over 5 horsepower of active load, $8 per horsepower per year.

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2. Plus energy charge:

First	4,000 k.w.h. per meter per year	2	cents per k.w.h.
Next	6,000 k.w.h. per meter per year	1¾	cents per k.w.h.
All over	10,000 k.w.h. per meter per year	1½	cents per k.w.h.

Special conditions.

As set forth in C. R. C. Sheet No. 249-E, issued October 1, 1919, and now on file with the Railroad Commission.

ELECTRIC SCHEDULE NO. 9.
Series Municipal Street Lighting—Bracket Arm Service.

The rates and charges set forth in Schedule No. 9, C. R. C. Sheets Nos. 250-E and 251-E of San Diego Consolidated Gas and Electric Company, issued October 1, 1919, and now on file with the Railroad Commission, increased by 15 per cent of the rates and charges therein set forth.

ELECTRIC SCHEDULE NO. 10.
Series Municipal Street Lighting—Ornamental Post Service.

The rates and charges set forth in Schedule No. 10, C. R. C. Sheet No. 252-E of San Diego Consolidated Gas and Electric Company, issued October 1, 1919, and now on file with the Railroad Commission, increased by 15 per cent of the rates and charges therein set forth.

ELECTRIC SCHEDULE NO. 11.
Miscellaneous Street Lighting Service.

The rates and charges set forth in Schedule No. 11, C. R. C. Sheet No. 253-E of San Diego Consolidated Gas and Electric Company, issued October 1, 1919, and now on file with the Railroad Commission, increased by 15 per cent of the rates and charges therein set forth.

ELECTRIC SCHEDULE NO. 12.
Ornamental Multiple Block Lighting.

The rates and charges set forth in Schedule No. 12, C. R. C. Sheet No. 254-E of San Diego Consolidated Gas and Electric Company, issued October 1, 1919, and now on file with the Railroad Commission, increased by 15 per cent of the rates and charges therein set forth.

ELECTRIC SCHEDULE NO. 13.
Auto, Charging, Heating and Cooking.

This rate applied to alternating current energy for domestic and commercial heating and cooking, laundries for ironing, and special heating service and small motor generator sets or rectifiers used for charging batteries.

Territory.

Applicable to the entire territory served.

Rate.

First	200 k.w.h. per meter per month	3.8	cents per k.w.h.
Next	300 k.w.h. per meter per month	3.2	cents per k.w.h.
All over	500 k.w.h. per meter per month	2.7	cents per k.w.h.

Minimum charge and special conditions.

As set forth in C. R. C. Sheet No. 255-E, issued October 1, 1919, and now on file with the Railroad Commission.

ELECTRIC SCHEDULE NO. 14.
Optional Industrial Power Service—Load Factor Schedule.

This schedule is applicable to energy supplied for all power purposes when the connected load in motors is 100 horsepower or greater, and where the maximum demand each month shall not be less than 50 per cent of the total connected load. Energy to be delivered and measured at a potential of 2100 volts, consumer supplying necessary transformers.

Territory.

Applicable throughout the entire territory.

Rate.

1. Readiness-to-serve charge:

$1.50 per month per kilowatt of maximum demand.

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2. Plus energy charge:
1.4 cents per kilowatt hour.

Minimum charge.

The minimum charge will be at least $24 per connected horsepower per year.

Special conditions.

As set forth in C. R. C. Sheet No. 256-E, issued October 1, 1919, and now on file with the Railroad Commission.

ELECTRIC SCHEDULE NO. 15.
Standby or Auxiliary Service.

As set forth in C. R. C. Sheets Nos. 257-E and 258-E, issued October 1, 1919, and now on file with the Railroad Commission.

It is hereby further ordered, that the authority heretofore granted San Diego Consolidated Gas and Electric Company, in Decisions Nos. 6281 and 7303 of this Commission, to charge and collect certain surcharges in addition to its schedules of electric rates, be and the same is terminated from and after the effective date of the electric rates herein established.

It is hereby further ordered, that San Diego Consolidated Gas and Electric Company be and it is hereby authorized to supply to its consumers in San Diego and vicinity, gas of an average total heating value, measured under standard conditions, of 540 B. t. u. per cubic foot, but not less than 535 B. t. u. per cubic foot.

It is hereby further ordered, that San Diego Consolidated Gas and Electric Company be and it is hereby authorized to charge and collect for gas service in accordance with the following schedules of rates, effective for all meter readings taken on and after the tenth day of March, 1921:

GAS SCHEDULE NO. 1.
General Gas Service.

Applicable to domestic and commercial service of gas for lighting, heating and cooking.

Territory.

Applicable to San Diego district, including San Diego, East San Diego, National City, Chula Vista, La Mesa and Coronado.

Rate.

		Gross	Net
First	500 cubic feet or less, per month	$0.85	$0.75
Next	4,500 cubic feet per month per 1000 cubic feet	1.55	1.45
Next	10,000 cubic feet per month per 1000 cubic feet	1.45	1.35
Next	15,000 cubic feet per month per 1000 cubic feet	1.20	1.20
Next	20,000 cubic feet per month per 1000 cubic feet	1.10	1.10
Next	25,000 cubic feet per month per 1000 cubic feet	1.00	1.00
All over	75,000 cubic feet per month per 1000 cubic feet	.90	.90

Prompt Payment Discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate as shown is made for prompt payment in case bills are paid on or before the date due as shown on the bill rendered.

Special Conditions.

In case of prepayment meters the rate charged shall be $1.50 per thousand cubic feet for all gas consumed, subject to a minimum charge of 75 cents per meter per month.

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GAS SCHEDULE NO. 2.

Special Gas Service.

Territory.

Applicable to service in Tent City, Coronado.

Rate.

	Gross	Net
All gas furnished, per 1000 cubic feet	$1.85	$1.75

Minimum charge.

The minimum charge is $1.10 per meter per month or portion thereof, subject to 10 cents discount for prompt payment.

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate as shown is made for prompt payment in case bills are paid on or before the date due as shown on the bill rendered.

GAS SCHEDULE NO. 3.

General Gas Service.

This schedule is applicable to domestic and commercial service for lighting, heating and cooking.

Territory.

Applicable in the city of Escondido.

Rate.

		Gross	Net
First	500 cubic feet or less, per meter per month	$1.10	$1.00
Next	4,500 cubic feet per meter per month, per 1000 cu. ft.	1.95	1.85
Next	5,000 cubic feet per meter per month, per 1000 cu. ft.	1.75	1.65
Next	10,000 cubic feet per meter per month, per 1000 cu. ft.	1.40	1.40
All over	20,000 cubic feet per meter per month, per 1000 cu. ft.	1.25	1.25

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate as shown is made for prompt payment in case bills are paid on or before the date due as shown on the bill rendered.

GAS SCHEDULE NO. 4.

Special Municipal Arc Service.

Territory.

Applicable to service of three municipal gas arcs located in La Jolla.

Rate.

$5 per lamp per month.

Special conditions.

Under this rate the lamps burn all night every night, the company turning the lamps on and off, and renewing all lamps, globes and mantles.

It is hereby further ordered, that San Diego Consolidated Gas and Electric Company shall, within twenty days from the date of this order, file with the Railroad Commission the schedules of gas and electric rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of February, 1921.

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DECISION No. 8650.

C. W. CURPHEY,
vs.
ED ROYCE.
Case No. 1502.

MOORE AND GIBSON,
vs.
ED ROYCE.
Case No. 1506.

IN THE MATTER OF THE APPLICATION OF ED ROYCE FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE FREIGHT SERVICE BETWEEN EL CENTRO AND CALEXICO, IMPERIAL AND BRAWLEY, AND INTERMEDIATE POINTS, UNDER CONTRACT.

Application No. 6242.
Decided February 21, 1921.

AUTO FREIGHT SERVICE—UNLAWFUL OPERATION.—An individual operating auto stage service over a regular route on a more or less regular schedule hauling loads composed of goods destined to more than one consignee and delivered to more than one consignee and from more than one consignor to more than one consignee, for compensation, and who has never secured a permit from this Commission nor filed tariffs or time schedules as required by the rules of this Commission is operating in violation of the law and is required to immediately discontinue such service.

H. W. Kidd and *H. N. Blair*, for C. W. Curphey and Moore and Gibson.
Ross and *Whitelaw*, for Ed Royce.
F. B. Austin, for Southern Pacific Company.

BY THE COMMISSION.

ORDER.

C. W. Curphey, complainant above named, alleges in substance and effect:

That said defendant, Ed Royce, is unlawfully and without authority of this Commission, operating auto trucks as a utility line in the transportation of freight between El Centro and Calipatria, Calexico and intermediate points, in Imperial County, California, and prays for an order of this Commission directing him to discontinue forthwith said operations.

Moore and Gibson, complainants above named, allege in substance and effect, that said defendant, Ed Royce, is, unlawfully and without authority of this Commission, operating auto trucks as a utility line in the transportation of freight between El Centro and Holtville, and intermediate points, in Imperial County, California, and prays for an order of the Railroad Commission directing him to discontinue forthwith said operations.

Ed Royce, above named defendant, in answer to each of said complaints, denies each and every allegation in respect to said alleged unlawful operations.

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Ed Royce, above named applicant, has petitioned the Railroad Commission for an order permitting him to establish service for the transportation of freight as a contract carrier between El Centro and Calexico, Imperial, Brawley, and intermediate points. Applicant sets out respectively in Exhibits "A," "B" and "C" attached to the application herein, his proposed fares and rates, time schedule and equipment. Applicant, at the hearing, moved for a dismissal of said application for the reason that he intends at an early date to file another application praying for a certificate of public convenience and necessity to operate as a common carrier of freight between the points named in said application. C. W. Curphey and Moore and Gibson, said complainants, and the Southern Pacific Company protested the granting of said application.

A public hearing in the above-entitled matters was conducted by Examiner Satterwhite at El Centro on December 6, 1920. At the hearing said matters were consolidated to receive evidence for the reason that the evidence in each matter would be more or less pertinent and material in the other. Said matters were duly submitted and are now ready for decision.

C. W. Curphey now operates an auto truck freight service between El Centro and Calipatria and Calexico and intermediate points in Imperial County, California, under Decision No. 7600 of this Commission.

Moore and Gibson now operate an auto truck freight service between El Centro and Holtville and intermediate points in Imperial County, under Decision No. 8044 of this Commission.

Complainants called a large number of witnesses, including Ed Royce, in support of their complaints. The testimony shows that the defendant, prior to and ever since May 1, 1917, has operated a truck service between the places designated by the complainants in Imperial Valley; that he has hauled, more or less regularly between said points, loads composed of goods destined for more than one consignee and delivered to more than one consignee, and from more than one consignor to more than one consignee, for compensation; and that such hauling was done between the places mentioned by the complainants over regular routes. The testimony further shows that the defendant has never filed with this Commission any tariffs or time schedules or list of equipment used, in accordance with the rules of this Commission, and has never complied with any of the rules and regulations of this Commission in his operations. It also further appears that the defendant has discriminated between consignors of freight in this: that he has refused consignments offered by one consignor in order to haul for another consignor at a larger compensation. It also appears

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that the defendant established no definite daily or weekly service between the points named, but maintained a rotation of service to each point, varying only to conform with the points to which consignments of goods, in the aggregate, were sufficient to make up a load of defendant's auto trucks.

The defendant testified in his own behalf to the effect that he had operated his truck service between the places designated by the complainants without any desire or attempt to violate the law or the rules and regulations of this Commission; he also admitted that he learned in the month of May, 1917, that it was the duty of any one operating an auto freight truck service, to file tariffs, time schedules and equipment in accordance with the rules of this Commission; and he stipulated at the hearing that he would cease all operations in violation of the law relative to the operation of transportation companies, either directly or indirectly, until authorized by this Commission.

After careful consideration of all the evidence, we are of the opinion, and find as a fact, that Ed Royce is unlawfully operating an auto truck service as a common carrier of freight between El Centro and Calipatria, and Calexico and intermediate points, and between El Centro and Holtville, and intermediate points within Imperial County, California.

It is therefore ordered, that Ed Royce be and he is hereby directed to discontinue forthwith said auto truck service as a common carrier of freight between El Centro and Calipatria and Calexico, and intermediate points, and between El Centro and Holtville, and intermediate points, within Imperial County, California.

Good cause appearing therefor, and in pursuance of the motion in open court of said Ed Royce,

It is hereby ordered, that the above-named application be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-first day of February, 1921.

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DECISION No. 8658.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION, APPROVING A CERTAIN AGREEMENT ENTERED INTO BY AND BETWEEN PACIFIC GAS AND ELECTRIC COMPANY AND WESTERN STATES GAS AND ELECTRIC COMPANY, DATED THE TWENTIETH DAY OF FEBRUARY, 1919, AND AUTHORIZING APPLICANT TO CARRY SAID CONTRACT INTO EFFECT IN THE MANNER HEREIN INDICATED.

Application No. 4739.
Decided February 21, 1921.

WHOLESALE RATES—ELECTRIC ENERGY—AGREEMENTS FOR.—In connection with an application for approval of an agreement for the sale of energy wholesale by the Pacific Gas and Electric Company to Western States Gas and Electric Company, the Commission holds that no showing has been made that the standard resale schedule of the Pacific company is in excess of a reasonable charge in the present instance nor is it convinced of the propriety of a special reduction in the charge for electricity sold to the Western States company as contemplated in the contract. Application dismissed.

C. P. Cutten, for Pacific Gas and Electric Company.
Chickering and Gregory, by *Allen L. Chickering*, for Western States Gas and Electric Company.

BY THE COMMISSION.

OPINION.

Pacific Gas and Electric Company asks approval of a certain contract entered into by it with Western States Gas and Electric Company under date of February 20, 1919, which sets forth the terms, conditions and rate under which electricity is to be sold to Western States Gas and Electric Company. The contract deviates from the standard rate schedule of applicant for such service, inasmuch as it provides for a combination of the two points of delivery of electricity, whereas the rate of the standard schedule applies separately to each such point of delivery. The contract is set forth in full in the application.

Subsequent to the execution of this contract a dispute arose as to the interpretation of a certain clause thereof relative to combining the meter readings at Stockton and at Natoma, the two points of delivery, as follows:

"It being understood that for all purposes of this agreement deliveries at the two points mentioned are to be considered as one."

Pacific Gas and Electric Company interprets this clause as referring to a combination of the demands alone, said clause being contained in a paragraph referring to demand measurement, while Western States Gas and Electric Company takes the position that the clause is all-inclusive and is intended to cover combination of both demands and energy under the schedule. Pacific Gas and Electric Company asks that in approving this contract the Commission uphold its interpretation.

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The schedule of Pacific Gas and Electric Company for resale service, which is the basis of the rate in the agreement, consisting of two charges, for demand and for energy, is the standard schedule of applicant for electricity sold to other utilities and is uniformly applied in cases of a single point of delivery, and in at least one case to each point of delivery where there are two or more such points. In no case is the schedule applied to a combination of deliveries at more than one point. In the present instance the combination of both demands and energy at the two points of delivery would reduce the total amount of the charge to the Western States Gas and Electric Company by $720 per month. If the interpretation of the Pacific Gas and Electric Company is used, the reduction in the charge is $270 per month.

Both parties advocate that the conditions surrounding the delivery of power at these two points are special and warrant a departure from the standard practice of applying the schedule to each point of delivery. Western States Gas and Electric Company contends that in as far as the effect of its load on Pacific Gas and Electric Company is concerned, it is immaterial to the latter whether delivery is made at one point or at several points. It further states that on account of the extent of its power purchases, it is entitled to the monetary benefit that would result from the agreed combination. Pacific Gas and Electric Company is in accord with this position only to the extent of combining the demands. It should not be overlooked, however, that delivery at the two widely separated points is more advantageous to the Western States Gas and Electric Company than delivery at a single point.

No showing has been made that the standard resale schedule, in its application to the separate points of delivery, is in excess of a reasonable charge in the present instance, and we are not convinced of the propriety of a special reduction in the charge for electricity sold to Western States Gas and Electric Company, as contemplated in the contract.

Under such conditions we see no occasion for this Commission, by approving this agreement, to authorize the proposed departure from the standard resale schedule of rates. The Commission therefore withholds its approval of this contract.

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for the approval of a certain agreement entered into with the Western States Gas and Electric Company under date of February 20, 1919, a hearing having been held and the matter submitted, and the Railroad Commission of the State of California finding that

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the departure from standard practices and charges contemplated in this agreement not being warranted;

It is hereby ordered, that the above entitled proceeding be and it is hereby dismissed without prejudice.

Dated at San Francisco, California, this twenty-first day of February, 1921.

DECISION NO. 8659.

IN THE MATTER OF THE APPLICATION OF MANTECA WATER WORKS, A CORPORATION, FOR AN ORDER AUTHORIZING AN INCREASE OF RATES.

Application No. 5976.
Decided February 21, 1921.

WATER RATES—FIRE HYDRANT AND IRRIGATION SCHEDULES.—While not making any material changes in the present schedule of flat rates of applicant the Commission holds that a distinction between single and double outlet fire hydrants is not warranted in view of the fact that all hydrants are attached to the same size mains and their delivery capacity is limited by the capacity of the mains rather than the number of outlets. Rate established for irrigation and sprinkling based on the area irrigated and recommendation made that applicant proceed to meter all consumers.

Von Detten, Henry and Goodrum, by *M. J. Henry*, for Applicant.
J. R. Scott, for Citizens of Manteca, Protestants.
J. D. Dean, for Board of Trade of Manteca.

BY THE COMMISSION.

OPINION.

Manteca Water Works, applicant herein, is an incorporated public utility supplying water for domestic, industrial and municipal purposes in the town of Manteca, San Joaquin County, California. In this proceeding applicant asks for authority to increase its rates, alleging in effect that its present income is not sufficient to meet operating expenses, provide for depreciation and yield a reasonable return on the investment. It is also stated that the increased cost of labor and material have made it practically impossible to make necessary repairs and provide adequate service under present circumstances, and it is admitted that there is need of much new construction. Applicant also contends that a substantial increase should be granted in the fire hydrant rental.

A public hearing was held in this proceeding before Examiner Satterwhite at Manteca. All interested parties were notified and given an opportunity to attend and be heard. At the hearing Mr. D. H. Harroun, one of the Commission's hydraulic engineers, presented a report covering a field investigation and appraisal of the property of the utility in question. The appraisal submitted shows the estimated original

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cost of the system to be $50,714 and the replacement annuity, computed by the sinking fund method $640. This latter sum, set aside annually, is designed to provide a fund for the replacement of wornout properties. The Commission's engineer also recommends the sum of $6,175 as a fair and reasonable sum to provide for the future annual cost of maintaining and operating the system. These estimates were not questioned at the hearing or subsequently; they appear to be fair and will be used for the purposes of this proceeding.

The following is a summary of the estimated annual charges set out above:

Interest on $50,714 at 8 per cent	$4,057 00
Replacement annuity	640 00
Maintenance and operation cost	6,175 00
Total	$10,872 00

Applicant's annual report to this Commission shows that the gross operating revenue for the year 1919 was $6,775.52. There are at present some 336 consumers and the revenues have shown a consistent and substantial increase annually since 1916. This revenue was produced almost entirely by flat rates, only one consumer receiving service on a metered basis. It has been announced many times by this Commission that in its opinion the most satisfactory method of rendering adequate service and of properly distributing the charges of a utility among the various consumers in proportion to the service received by each, is by metering the system and charging for the quantity delivered. Not only will this result in an equitable distribution of charges, but is also a means whereby the water supply can be conserved. Applicant has signified its intention of proceeding with a program of metering the entire system, but until such time as the system shall have been fully metered revenue must continue to be derived from the flat rate schedule. It is therefore necessary to make such an adjustment of the flat rate schedule as will be equitable under the circumstances and also establish a measured rate schedule, each so designed as to return to applicant a revenue sufficient to meet the necessary and reasonable maintenance and operation expenses, a proper replacement annuity and a reasonable sum to apply as interest on the used and useful investment. The metered schedule set out in the following order is based upon the experience in water use of other systems of similar size and characteristics, and when the system in question is entirely metered it is estimated that these rates will return to applicant approximately the total of the annual charges which the Commission's engineer has found to be reasonable.

We do not find it expedient to require any radical changes in the

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schedule of flat rates now in effect. However, the distinction between single and double outlet fire hydrants now made does not appear to be justified in view of the fact that all are attached to four-inch mains and therefore have a delivery capacity limited to the capacity of the main rather than of their outlet orifices. The rate which we will establish herein for fire hydrants is uniform for all. We have also found it advisable to include in the flat rate schedule a rate for irrigation or sprinkling based upon the area irrigated. No such charge has heretofore been made, but this important usage should yield a return to the utility.

After a careful consideration of the elements entering and conditions relating to this matter, the following order is designed to establish proper rates for service rendered by Manteca Water Works and provide an increased revenue.

ORDER.

Manteca Water Works having applied to the Railroad Commission for authority to increase the rates charged for water served to consumers on its system, a public hearing having been held and the Commission being fully advised in the premises:

It is hereby found as a fact, that the rates and charges of Manteca Water Works, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates;

And basing its order on the foregoing finding of fact, and on the further statements of fact contained in the opinion which precedes this order,

It is hereby ordered, by the Railroad Commission of the State of California, that Manteca Water Works be and it is hereby authorized to file with the Railroad Commission, within twenty (20) days of the date of this order, the following schedules of rates, said rates to be charged on all bills rendered subsequent to March 1, 1921, and be and become effective as of that date:

Flat Rate Schedule.

	Per month
For houses, flats or tenements, occupied by single family, including one bathtub, washstand and patent toilet	$ 1.50
For each additional family	1.00
For each additional bathtub, washstand or patent toilet	.25
For lodging house, in addition to family rate, per room without stationary washstands	.15
With stationary washstands	.20
For restaurant or boarding house, from	$2.00 to $5.00
For small stores and shops (family use excluded)	1.00
For dental rooms	1.50
For large stores and warehouses	$1.50 to 5.00
For soda fountains or soft drink parlors	1.50 to 3.00
For drug stores with soda fountains	1.50 to 3.00
For barber shops with one sanitary stand	1.50

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For each additional sanitary washstand	.25
For each bathtub or shower bath or washstand	.25
For public garages, housing not to exceed 15 automobiles	1.50
For feed or livery stables or sale stables or feed yards and corrals containing not more than ten head of live stock and including water for washing buggies and carriages	1.50
For each additional live head of stock	.25
For blacksmith shops, machine shops, wagon shops and repair shops with use of hose for cooling tires	$1.50 to 3.00
For public watering trough, each	2.50
For horse and buggy, or cow, when taken with other water	.25
For private garage storing more than one automobile when taken with other water	.25
For laundries and wash houses in connection with lodging houses, hotels, etc., other than steam laundry	$1.50 to 10.00
For photograph studios	2.50 to 5.00
For rooms in second or third story of buildings and occupied as offices, other than physicians	.50
For physician or surgeon's office	$1.50 to 4.00
For lodges or societies, including one banquet room	1.50
For fire hydrants	2.50
For irrigation of lawns or gardens, per square yard actually irrigated	.005

All other uses at measured rates.

Measured Rates.

Readiness-to-serve charge to apply to all metered services:

⅝" and ¾" meter, per month	$ .50
1" meter, per month	.75
1½" meter, per month	1.00

Quantity charges:

From 0 to 500 cubic feet per month, per 100 cu. ft.	$ .30
From 500 to 3000 cubic feet per month, per 100 cu. ft.	.25
Over 3000 cubic feet per month, per 100 cu. ft.	.20
For street sprinkling and sewer flushing, per 100 cu. ft.	.15

The quantity charge shall be in addition to the readiness-to-serve charge.

Dated at San Francisco, California, this twenty-first day of February, 1921.

DECISION No. 8663.

IN THE MATTER OF THE APPLICATION OF VAN NUYS WATER SYSTEM, A COPARTNERSHIP CONSISTING OF J. BENTON VAN NUYS, KATE VAN NUYS PAGE AND ANNIS VAN NUYS SCHWEPPE, FOR INCREASE OF RATES OF SAID SYSTEM.

Application No. 5386.
Decided February 21, 1921.

Oscar C. Mueller, for Applicant.
H. S. Farrell, for City of San Gabriel.
Geo. Sanborn, in propria persona, and for certain consumers.
Peter C. Mahn, in propria persona.
R. Cooper, in propria persona.
R. Kuban, in propria persona.

BRUNDIGE, *Commissioner.*

OPINION.

The application of Van Nuys Water System, as entitled above, is an application asking for authority to increase water rates for irrigation

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and domestic purposes and for service rendered by said system in and in the vicinity of San Gabriel, Los Angeles County.

The Van Nuys Water System also filed application for an order determining the boundary of said water system (Application No. 5843), which came on for hearing with the rate proceeding entitled above. For the purposes of clarity, however, and to avoid confusion of the issues involved, the decisions in these two matters will be rendered separately.

In the above entitled rate proceeding, applicant alleges in effect that the present schedule of rates does not provide a fair return on the investment, replacement fund and operating expenses. The rates at present in effect were established by this Commission in its Decisions Nos. 5093 and 5844. Decision No. 5093, dated February 2, 1918 (Vol. 15, p. 136, Opinions and Orders of the Railroad Commission of the State of California), held that a fair and just value of the used and useful properties of this utility for rate fixing purposes as of November, 1917, was $70,158. This was again sustained in Decision No. 5844, dated October 11, 1918 (Vol. 16, p. 125, Opinions and Orders of the Railroad Commission of the State of California), wherein this utility's application for rehearing was denied.

In the present proceeding Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, after a field and office investigation, submitted a report with a review of the operations of applicant down to May 31, 1920. By making proper alterations for additions and retirements in the capital account Mr. Van Hoesen's estimate of capital investment is the sum of $77,971. At the hearing applicant submitted evidence showing an additional expenditure of $3,354 since that date, which would increase the total to $81,325. In view of all the evidence the latter sum would appear to be fair as representing the investment in used and useful property of this utility as of July 20, 1920, and will be used for the purposes of this proceeding.

The Commission's engineer in his report set out a replacement annuity, computed by the sinking fund method, of $1,420. This was based on an average useful life of 25 years. Upon a recheck being made, the average useful life was determined to be 24.2 years. Making a proper correction on this basis, and taking into consideration the additional capital of $3,354 invested since May 31, 1920, it appears that $1,600 is a fair and reasonable amount for the annual replacement fund of this utility.

Applicant's exhibits show an estimate of $13,885.14 for operating and maintenance expense for 1920. This amount is $1,475.40 more than the estimate submitted by the Commission's engineer. Applicant's Exhibit No. 4 shows the actual maintenance and operating expense for the first six months of 1920 as $5,494.12, and on this basis

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the estimate would indicate an increase of $2,897.16 for the last six months of the year over that of the first six months.

A study of this phase of the situation indicates that the only material increase of expense would be by reason of the cost of electric power, and with relation to this item it would appear that the Commission's engineer has made an ample allowance. Taking all facts and conditions into consideration, the conclusion is reached that the sum of $12,410 is a fair allowance for the annual maintenance and operation expenses of this utility.

The following is a summary of the above items which go to make up the sum which should be produced annually by rates:

Interest on $81,325 at 8 per cent	$6,506 00
Replacement fund	1,600 00
Maintenance and operating expense	12,410 00
Total	$20,516 00

The total operating revenue received during 1919 was $18,061 and during 1918 was $17,134. There is no indication of any material increase in income in the near future by reason of increased consumption or added population, and it is apparent that applicant is entitled to receive a more remunerative income in the form of rates. The rate schedule established in the following order is therefore designed to yield the total of the above annual charges.

I submit the following form of order:

ORDER.

Van Nuys Water System having made application to the Railroad Commission for authority to increase its rates, as entitled above, a public hearing having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact, that the rates and charges of the Van Nuys Water System, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates;

And basing its order on the foregoing finding of fact, and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, by the Railroad Commission of the State of California, that Van Nuys Water System be and it is hereby authorized to file with the Railroad Commission within twenty (20) days of the date of this order, the following schedule of rates, the same to supersede all rate schedules of this system heretofore in effect and to be and become effective for all bills rendered subsequent to March 1, 1921:

Domestic Metered Service.

600 cubic feet or less per month	$1.00
From 600 to 2000 cubic feet, per 100 cubic feet	.15

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From 2000 to 5000 cubic feet, per 100 cubic feet	$0.10
All in excess of 5000 cubic feet, per 100 cubic feet	.05

Irrigation Metered Service.

Per 100 cubic feet	.05

Fire Service for the City of San Gabriel.

Per month	25.00

Monthly Minimum—All Classes of Service.

¾-inch meter or smaller	1.00
1-inch meter	1.25
2-inch meter	1.50

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of February, 1921.

DECISION NO. 8667.

IN THE MATTER OF THE APPLICATION OF HUNTINGTON PARK REALTY COMPANY AND THE CITY OF SAN BRUNO FOR PERMISSION TO SELL AND PURCHASE THE WATER WORKS SYSTEM AND PLANTS SUPPLYING WATER TO THE CITY OF SAN BRUNO, COUNTY OF SAN MATEO, STATE OF CALIFORNIA.

Application No. 6431.
Decided February 23, 1921.

J. F. Davis, City Attorney, for City of San Bruno.
R. H. Smith, for Huntington Park Realty Company.
C. L. Rockhill, in propria persona, Protestant.

BY THE COMMISSION.

OPINION.

This is a proceeding in which the Huntington Park Realty Company, a municipal corporation owning and operating a public utility water system supplying residents in the city of San Bruno, San Mateo County, with water, makes application for authority to sell said system to the city of San Bruno, and said city of San Bruno joins in said application, asking for authority to purchase said system at an agreed price of $37,500.

A public hearing was held in this matter before Examiner Satterwhite, and the evidence shows that following negotiations between representatives of the utility and the city of San Bruno resulting in an agreed purchase price of $37,500 for the water system in its entirety, the board of trustees of the city of San Bruno passed and adopted resolutions authorizing and providing for the purchase of said system. A copy of said agreement as executed, together with a copy of the

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bargain and sale deed was introduced in evidence as applicant's Exhibit "B," reference to which is hereby made for the terms of the purchase.

Evidence was introduced that an action had been brought in the courts to enjoin the acts and proceedings of said board of trustees in this matter, but that a decision has been rendered denying the injunction. It was further shown that notice of appeal had been filed in the Supreme Court and was pending at the time of the hearing.

With relation to the authority of the Railroad Commission in this matter, however, we find after careful consideration of all the evidence and the facts submitted that there is no good and sufficient reason for denying applicants the authority herein sought, under the terms and at the price indicated in the agreement.

ORDER.

Application having been made to the Railroad Commission as entitled above, wherein Huntington Park Realty Company and the city of San Bruno join in an application for authority to transfer certain public utility property from the former to the latter, the property to be transferred and the terms and conditions of the transfer being more particularly described in a certain agreement and bargain and sale deed introduced in evidence as applicant's Exhibit "B"; a public hearing having been held, and the Railroad Commission being fully advised in the premises;

It is hereby ordered, that the above entitled application be and it is hereby granted, subject to the following conditions:

1. The property to be transferred and the terms and conditions of said transfer shall be as described in applicant's Exhibit "B," which was introduced in evidence at the hearing herein.

2. The consideration given for the transfer of said public utility property shall not be urged before this Commission or any other public body as a finding of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

3. The authority herein granted to transfer public utility property shall apply only to such transfer as may have been made on or before June 1, 1921, and a certified copy of the instrument of conveyance transferring the property herein authorized to be transferred shall be filed by the Huntington Park Realty Company with the Railroad Commission within thirty (30) days of the date on which it is executed.

4. Within ten (10) days of the date on which Huntington Park Realty Company actually and legally relinquishes control and possession of the properties herein authorized to be transferred, said company shall file a statement with the Railroad Commission indicating the date on which such control and possession was actually relinquished.

Dated at San Francisco, California, this twenty-third day of February, 1921.

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DECISION NO. 8668.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AUTHORITY TO ISSUE AND PLEDGE BONDS.

Application No. 6417.
Decided February 24, 1921.

Murray Bourne, for Applicant.
LOVELAND, *Commissioner*.

OPINION.

In this application, as amended on February 5, San Joaquin Light and Power Corporation asks permission to issue and pledge $2,375,000 of its Series "C" 6 per cent first and refunding mortgage bonds to secure the payment of notes payable on or before ninety days after date. In its original application, applicant asks permission to issue and sell $2,375,000 of 8 per cent convertible collateral trust bonds, the payment of which was to be secured by the deposit of the $2,375,000 of the Series "C" 6 per cent first and refunding mortgage bonds.

Applicant reports that it has now in course of preparation a new mortgage under which it intends to issue bonds and that therefore it does not desire to sell any of the $2,375,000 of 8 per cent convertible collateral trust bonds. An application for permission to issue and sell bonds under the new mortgage is now pending before the Commission.

Applicant reports that it has about $4,000,000 of notes and accounts payable and that approximately $550,000 of the notes mature before March 1, and that it should have available from $300,000 to $400,000 to meet construction pay rolls and make payments on account of small purchases. In Exhibit "A," filed in this proceeding, applicant reports $7,075,796.21 of actual or estimated expenditures, which have not been financed through the sale of either bonds or stock. The order herein will provide that moneys obtained through the issue and deposit of $2,375,000 of bonds must be used to finance in part the expenditures set forth in Exhibit "A."

Applicant agrees to pay, as soon as it receives moneys from the sale of its new bonds, the notes issued and secured by the Series "C" 6 per cent first and refunding mortgage bonds.

I herewith submit the following form of order:

ORDER.

San Joaquin Light and Power Corporation having applied to the Railroad Commission for permission to issue and pledge $2,375,000 of its Series "C" 6 per cent first and refunding mortgage bonds, a public hearing having been held, and the Commission being of the opinion

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that the money, property or labor to be procured or paid for through the issue of such bonds is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income:

It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to issue and deposit as collateral to secure the payment of notes payable on or before ninety days after date $2,375,000 face value of its Series "C" 6 per cent first and refunding mortgage bonds, provided that said bonds are issued and deposited subject to the following conditions:

1. Applicant shall file with the Commission the serial number of bonds issued and deposited.

2. The face value of the notes secured by the bonds shall at no time be less than 56 per cent of the bonds deposited as collateral to secure the payment of such notes. As payments are made on the notes, a proper proportion of the bonds shall be returned to applicant's treasury and thereafter not disposed of in any manner whatsoever, except as authorized by this Commission.

3. All moneys obtained through the issue and deposit of the bonds herein authorized shall be used to finance in part the expenditures reported in applicant's Exhibit "A," filed in this proceeding, or pay obligations incurred in connection with the construction of plant extensions, additions and betterments referred to in said Exhibit "A."

4. San Joaquin Light and Power Corporation shall keep such record of the issue and deposit of the bonds herein authorized and of the disposition of the moneys realized through the deposit of the bonds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

6. The authority herein granted will apply only to such bonds as may be issued and deposited on or before April 15, 1921.

It is hereby further ordered, that this application, in so far as it relates to the issue and sale of $2,375,000 of 8 per cent convertible collateral trust bonds, be and it is hereby dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of February, 1921.

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DECISION NO. 8671.

IN THE MATTER OF THE SERVICE OF MIDWAY GAS COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, LOS ANGELES GAS AND ELECTRIC CORPORATION AND SOUTHERN COUNTIES GAS COMPANY.

Case No. 1390.
Decided March 1, 1921.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Good cause appearing:

It is hereby ordered, that Midway Gas Company, Southern California Gas Company, Los Angeles Gas and Electric Corporation and Southern Counties Gas Company shall, on or before March 30, 1921, prepare and file with the Commission complete plans for the enlargement of their respective systems to provide for the rendering of adequate gas service hereafter.

Dated at San Francisco, California, this first day of March, 1921.

DECISION NO. 8676.

IN THE MATTER OF THE APPLICATION OF SPRING VALLEY WATER COMPANY, A CORPORATION, AND SAN FRANCISCO GOLF AND COUNTRY CLUB, A CORPORATION, FOR ORDER AUTHORIZING SAID SPRING VALLEY WATER COMPANY TO SELL TO SAID SAN FRANCISCO GOLF AND COUNTRY CLUB CERTAIN REAL PROPERTY.

Application No. 6568.
Decided March 2, 1921.

BY THE COMMISSION.

ORDER.

This is a matter in which Spring Valley Water Company, a corporation, seeks authority to sell to San Francisco Golf and Country Club, and San Francisco Golf and Country Club asks for authority to purchase certain lands, property and rights of the former situate partly in the city and county of San Francisco and partly in the county of San Mateo, State of California.

The lands, property and rights sought to be transferred are useful to said Spring Valley Water Company in the performance of its obligations to the public, for watershed purposes only, and under the terms of the agreement of sale the purchaser of said lands is required to keep said property clean and free from any and all nuisances and to protect the same from trespass and keep the same free from all things which would be detrimental to the water shed of the Laguna de la Merced as a source of water supply.

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Attention is also directed to the fact that the lands herein sought to be transferred are no part of the property of Spring Valley Water Company which is now being offered for sale to the city and county of San Francisco.

The proposed instruments of transfer which are attached to the application herein, and the conditions set out therein amply guard any interest the public may have in this transaction.

It therefore appearing to the Commission that no good and sufficient reason exists why the above entitled application should not be granted, and that this is not a matter in which a public hearing is necessary;

It is hereby ordered, that Spring Valley Water Company be and it is hereby authorized to execute to the San Francisco Golf and Country Club those certain instruments of sale, agreement and option, copies of which are attached to the application herein and designated as follows:

1. Exhibit One—Agreement of sale with Schedules A, B and C attached.
2. Exhibit Two—Contemporaneous agreement.
3. Exhibit Three—Option.

It is hereby further ordered, that the authority herein be and it is hereby granted on the following conditions, to wit:

1. The sale and transfer herein authorized applies only to such sale and transfer as shall have been made on or before June 1, 1921.

2. Within fifteen (15) days from the date on which the instruments of conveyance are executed, certified copies of same shall be filed with the Railroad Commission by said Spring Valley Water Company.

Dated at San Francisco, California, this second day of March, 1921.

DECISION NO. 8678.

IN THE MATTER OF THE APPLICATION OF THE STAR AUTO STAGE COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING AN INCREASE IN RATES.

Application No. 6424.
Decided March 2, 1921.

AUTO STAGE COMPANY RATES—SALARIES PAID OFFICIALS—SEASONAL OPERATING REVENUES.—In connection with an application of an automobile transportation company for permission to increase rates the Commission holds that salaries of $750 and $500 per month paid the president and general manager respectively are excessive for a company the size of applicant, particularly in view of the fact that they are the principal stockholders of the utility. The Commission also refuses to accept as conclusive, statements of operating revenues and expenses which cover only two or three winter months, for, due to climatic conditions, the auto stage transportation business is naturally most unprofitable at such time.

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Applicant granted permission to increase all rates 15 per cent, provided it shall file with the Commission for a period of six months, monthly reports showing in detail operating expenses and revenues, and shall make a detailed study of tire costs and depreciation to its equipment.

Harry A. Encell, for Applicant.
MARTIN, *Commissioner*.

OPINION.

The Star Auto Stage Company, a corporation, filed the above numbered application on December 22, 1920, for authority to increase the passenger fares of the automotive stage lines operated by it between Oakland and Stockton and intermediate points; Stockton and Sacramento and intermediate points; Stockton and Merced and intermediate points; Stockton and Tracy and intermediate points, and Stockton and San Jose and intermediate points. The application reads, in part:

That in order for applicant herein to maintain service heretofore rendered by it as a transportation company between the points above named, it will be necessary for applicants to immediately be permitted to publish a new schedule of rates, fares, tolls, rentals and charges which will produce an income to applicant sufficient to provide for applicant a sum of money large enough to enable it to meet its maintenance and operating expenses and provide a depreciation reserve and a return upon applicant's investment.

The substance of the application is that under the present fares and with operating and other expenses, there is a loss to the corporation at this time of approximately $7,000 per month. A number of exhibits were introduced at the hearing, giving in detail the revenues and expenses covering the period October 23, 1920 to December 31, 1920, the first named date being that upon which the company assumed control of the services formerly conducted by the Star Auto Stage Association.

The Star Auto Stage Association, the predecessor of this applicant, was organized October 26, 1916, with 71 members, as a cooperative business association, in accordance with the Civil Code of the State of California. The membership was changed from time to time by additions and withdrawals, until at the time of the transfer of the operative rights, on October 23, 1920, to the Star Auto Stage Company, there was a membership of about 34.

The first tariffs of the Star Auto Stage Association were filed in February, 1917, and the original operators holding membership in the association were not required to secure certificates of public convenience and necessity from the Commission by reason of the fact that they were operating in good faith on May 1, 1917, the date specified by section 3 of chapter 213, Statutes of 1917.

No comprehensive bookkeeping system was ever in effect by the members of the association and, therefore, it is impossible for this Commission to determine positively whether or not the operations of each member of the association were maintained at a profit or at a loss.

Attached to the application was a statement of income and expenses covering the period August 19, 1920 to October 23, 1920, the figures

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being based upon the operating expenses and revenue of 58 per cent of the owners. Upon cross-examination at the hearing it developed that this statement included all of the gross revenue turned into the association from August 19, 1920 to October 23, 1920, but that only 58 per cent of the owners kept books showing revenue and expenses, and as to the expenses shown in the statement 58 per cent were actual and 42 per cent estimated. The total gross income during this period was $118,787.02 and the total operating and maintenance expense $113,084.06, leaving a gross profit from operations of $5,702.96. Deducting general expenses of $20,766.30, the net loss from operations is shown as $15,063.34. Other items of income, credits and debits, make the net loss for the period of 65 days $17,309.87.

The arrangements under which the Star Auto Stage Association operated permitted the association members that handled their own vehicles to retain 85 per cent of the gross collections for expenses and profits, while the remaining 15 per cent of the gross receipts were surrendered to the association to cover, presumably, the expenses for maintaining the terminal depots, ticket offices and incidental accommodations used by all of the association members.

Subsequent to the hearing in this proceeding a representative from this Commission's auditing department visited the offices of the company at Stockton and endeavored to secure a check of the statement covering the period August 19, 1920 to October 23, 1920, but could find no authentic data. The statement, therefore, is of little or no value in this proceeding.

At the hearing, held in Stockton, a statement, prepared by a firm of certified public accountants, was presented showing general balance sheet October 23, 1920 and November 30, 1920; also statement of income, and profit and loss for the period October 23, 1920 to November 30, 1920. Subsequent to the hearing other financial statements were presented giving data of the assets and liabilities, income, and profit and loss accounts for the period from October 23, 1920, the date upon which this applicant took possession of the property, to January 31, 1921.

The total property as of December 31, 1920 is valued at $309,219.13, while the current assets and other accounts, including profit and loss, make a total of $407,926.83. The largest item included in property is the operating rolling stock, carried on the books at $277,962.05. This includes 69 automobiles of various makes, the principal machines being Packards, Locomobiles, Whites and Pierce Arrows. These vehicles were taken over from the old organization and have not been appraised by this Commission, therefore their true value is not known.

The gross car earnings, October 23, 1920 to December 31, 1920, were $103,597.20, with operating expenses, including depreciation,

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$109,191.95, a net car loss of $5,594.75. The operating expenses are those directly chargeable to the operation of the cars; the general expenses include $5,626.96 for ticket offices and $9,234.64 for salaries of general officers, clerks and miscellaneous. These, with other items, make a total general expense of $21,023.61, or a net loss from operations during this seventy-day period of $26,618.36. Taking the month of December, 1920, the total gross car earnings were $43,477.78, operating expenses $43,847.37, a net car loss of $369.59. The expenses of ticket offices, general offices, etc., totaled $9,312.90, leaving a net loss from operations of $9,682.49.

During this seventy-day period a charge is shown in the operating expense of $15,250.44 for tires, an arbitrary amount, computed on a basis of .035 cents per mile. No statement was furnished of the mileage, but the testimony would indicate that the charge was computed from the actual mileage traveled, as shown by the records. The company has not been in existence long enough to set up a correct expense for tires, and the amount claimed may be either more or less than the cost. During the same period of time a charge of $17,429.08 was made for depreciation, this at the rate of 4 cents per mile, it being purely estimated and based upon the theory that a car costing $8,000 will be worn out and must be junked after it has traveled 200,000 miles. The amount of depreciation claimed is approximately $85,000 per annum, or 30 per cent of the operating rolling stock having a claimed value of $277,962.05.

Since the hearing and submission of the application there has been filed a statement showing the income and expenses for the month of January, 1921. The total gross car earnings were $38,857.62, being $4,620.16 less than in the month of December, and the net car loss $2,936.66, or $2,567.07 greater than in December: The general operating expenses were $10,931.11, making a net loss from operations during the month of January, 1921, of $13,867.77, as compared with the net loss from operations for the month of December of $9,682.49, an increased loss of $4,185.28.

There are approximately 125 employees. From October 23, 1920, to December 31, 1920, the expenses of the general office, including clerks and miscellaneous items, totaled $9,234.67, or at the rate of $50,000 per year. Included in these items is the salary of a president at $750 per month and of a general manager at $500 per month, or $15,000 per annum. In addition to these two directing officers the company employs two superintendents, whose salaries are not included in the general office expenses. It would seem to the Commission that this large item, for so small an organization, is excessive. The compensation of the principal owners of the property should be derived from dividends and not from the payment of excessive salaries. The items for stationery,

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printing of tickets and legal expenses are also large, considering the time this applicant has been in existence. For the first seventy days the legal expenses were $1,446.55, although upon cross-examination it was admitted that a reasonable average charge per month would be very much lower than during the formative period. Without doubt, some part of the amount carried as expenses for stationery, printing, legal, etc., should have been charged to capital account.

The exhibits presented and verified by our auditing department clearly demonstrate that there has been a net loss from operations since commencement of the service as follows: October 23 to November 30, 1920, $16,935.87; December 1 to December 31, 1920, $9,682.49; January 1 to January 31, 1921, $13,867.77; a total of $40,486.13, but the Commission can not accept as controlling the net results indicated by these exhibits, for they embrace but a part of October and the months of November, December and January, probably the poorest operating months in the year, and, therefore, would make the most unfavorable showing. Attention might be called to the fact that during these particular months there were heavy and almost continuous rainfalls; also that there has been an abnormal decline in travel, due to the general business situation. A true representative period should cover a full calendar year.

The proposed fares are not constructed upon any consistent mileage basis, the increases being built up arbitrarily over the fares at present in effect and, apparently, the changes are made between points where the greatest amount of additional revenue would be secured. It is proposed to increase the fare between Sacramento and Stockton from $1.40 to $1.70; between Sacramento and Galt from 70 cents to $1; between Sacramento and Merced from $3 to $4.10; between Stockton and Modesto from 75 cents to $1; between Stockton and Turlock from $1.15 to $1.55; between Stockton and Tracy from 60 cents to 75 cents; between Stockton and Oakland from $2.25 to $2.80; between Stockton and San Jose from $2.25 to $2.85; between San Jose and Modesto from $2.50 to $3.25. Increases are applied to practically all of the fares and the instances cited are illustrative of the situation.

Using a travel check covering November, 1920, the increase in gross revenue under the proposed fares based on the returns for November would be approximately 27 per cent. However, this month is not representative and, without doubt, the proposed fares applied to a twelve-months period would increase the gross revenue greatly in excess of the 27 per cent as shown by this test period. It may be said that the higher the rate the lower is the value of the service and that a readjustment of the rates to the basis proposed might result in detriment to the applicant as well as to the traveling public.

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The company is entitled to earn a sufficient sum annually, not only for current repairs but for making good the depreciation and replacing the property, so that at the end of a given period the original investment can be replaced out of the depreciation funds. The short time during which this applicant has operated makes impossible the establishment of a correct depreciation allowance to fit its particular needs, but certainly the exhibits and the testimony do not justify the allowance of 30 per cent per year. I am also of the opinion that the charge of 3½ cents per mile for tires has not been justified, nor can I approve of the salary allowances of $15,000 per year for a president and a general manager. The record in this proceeding, however, clearly demonstrates that if no allowance at all had been made for depreciation or management expense, the company would still have operated at a loss of some $16,000 October 23, 1920, to January 31, 1921, without giving any consideration to the return upon invested capital.

I am not convinced that the proposed fares are proper, nor that the increase granted should be based upon the results obtained during the past few months. I am of the opinion that an increase in all fares of 15 per cent should be authorized to meet the emergency now existing, with the understanding that applicant will, for the next six months, render a monthly report to the Commission giving in detail all of its operating revenues and expenses and that it make a careful study of the cost per mile for tires; also a more complete and comprehensive check of depreciation to the equipment.

If, within a reasonable time, applicant can show that the financial conditions of the company have not materially changed for the better, the Commission will consider an application for a further readjustment of the fares.

ORDER.

The Star Auto Stage Company having applied for permission to increase its passenger fares, a public hearing having been held, and the Railroad Commission being fully apprised in the premises, it hereby finds as a fact that the existing fares of petitioner are unremunerative and that the fares herein established are just and reasonable.

The Railroad Commission, basing its order on the finding of fact and the further findings of fact which are contained in the opinion which precedes this order:

It is hereby ordered, that the Star Auto Stage Company, a corporation, be and the same is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order a tariff increasing the present fares fifteen (15%) per cent; sufficient to be added in all cases to make the fares end in actual cents.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of March, 1921.

DECISION NO. 8679.

IN THE MATTER OF THE APPLICATION OF THE COUNTY OF SAN MATEO FOR A CROSSING RIGHT AT THE TERMINATION OF MARKET STREET ON THE SOUTHERN PACIFIC COMPANY'S RIGHT OF WAY, COLMA, SAN MATEO COUNTY.

Application No. 6322.
Decided March 2, 1921.

UNDERGRADE CROSSINGS—COMPLETE PLANS FOR NECESSARY TO OBTAIN AUTHORIZATION FOR.—The Railroad Commission refuses to authorize the construction of an undergrade crossing upon application of a county when the representative of the county states that it is not willing to bear any portion of the expense thereof, and the local district which would benefit from such construction has formulated no plans or specifications for, nor has taken any steps to secure funds for the construction of the undergrade crossing proposed. Application dismissed without prejudice.

J. F. Davis, for County of San Mateo and Colma Improvement Club.

H. W. Hobbs, for Southern Pacific Company.

BY THE COMMISSION.

OPINION.

In this application the county of San Mateo asks permission to make an excavation or tunnel under the tracks of Southern Pacific Company at Colma, such tunnel to permit Market street in the unincorporated city of Colma to be continued by reason of a subway underneath the tracks of the Southern Pacific Company, Market street at the present time terminating at its intersection with the right of way of the Southern Pacific Company.

The Commission on December 20, 1920, issued its order to the Southern Pacific Company to show cause, if any it had, why the application herein should not be granted, and a public hearing on the application and order to show cause was conducted by Examiner Handford at Colma on January 24, 1921, at which time the matter was duly submitted and is now ready for decision.

The tracks of the Southern Pacific Company, under which the crossing is proposed to be established at Market street, Colma, are those of the San Francisco-San Bruno branch formerly constituting the main line of the coast division of the Southern Pacific Company entering San Francisco. These tracks are practically exclusively used for freight service, but one local passenger train being operated in each direction daily. At the point of the proposed undergrade cross-

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ing where Market street intersects the railroad right of way, there are two tracks located on the embankment some ten feet above the level of Market street.

At the hearing on this proceeding, attorney for the Southern Pacific Company stated that the company was not in position to make answer to the order to show cause by reason of the limited data contained in the application, that the necessity for a subway at this point had not been shown, that no plans or specifications had been presented to enable the Southern Pacific Company to determine what character of structure was contemplated or desired and that, in the absence of such detailed data, plans, or specifications, the Southern Pacific Company had no method of determining the cost of the proposed construction and could not therefore answer the order to show cause because it had no advice enabling even an approximate determination of the expenses which the Southern Pacific Company would be required to assume and in view of such position it was decided that applicant should present its testimony to supplement and amplify the application heretofore filed in this proceeding.

Attorney for applicant stated that what was desired at the present time was the authority of the Railroad Commission to establish the proposed undergrade crossing; it being intended, should such right be granted, to proceed with the formation of an assessment district; such district to meet such expense as would be apportioned by the Commission as that to be borne by the public in connection with the establishment of the proposed undergrade crossing. It was the opinion of the attorney for applicant that the railroad should be required to pay one-half the expense but that, if such apportionment was not made by the Commission, one-quarter of the expense would be considered satisfactory although even in the event that the Commission decided that the railroad was not to be burdened with any of the cost, it was still the desire of the applicant to proceed with the proposed undergrade crossing and that the order of the Commission was desired authorizing the establishment of the crossing by the proposed separation of grade.

As to the necessity for the proposed undergrade crossing, applicant alleges that considerable congestion exists at the Washington street crossing, located about 700 feet south of the proposed Market street crossing, and also congestion existed on San Pedro street, located some 900 feet south of the Market street crossing; San Pedro street being the main highway leading toward the ocean. The nearest crossing to the north from the proposed Market street crossing is at School street, some 1300 feet from Market street. Witnesses for applicant stated that, during the vegetable shipping season, which is some five

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or six months in the year and divided about equally between the early spring and late summer, Washington street was subject to a congestion and blockage by teams and trains so that it is impassable. It is stated that this congestion is caused by vehicles waiting their turn to discharge their loads at the packing houses and by the switching of the Southern Pacific trains across the street. These witnesses were of the belief that the installation of a subway at Market street would relieve the congested conditions by offering an alternate route and it is stated that there are approximately 1000 people living west of the Southern Pacific tracks that would be benefited by the establishment of the proposed undergrade crossing.

Mr. T. L. Hickey, supervisor of San Mateo County, in whose district Colma, an unincorporated town, is located, stated that the matter was a local one and that he, as supervisor, could not approve of the county apportioning a part of its general fund for the proposed subway and that his attitude regarding the expense was also that of the board of supervisors of San Mateo County.

Witnesses for the Southern Pacific Company deny that congestion exists, particularly as regards the blocking of the crossings at Washington and San Pedro streets. Mr. W. H. Phelps, assistant division engineer of the coast division of the Southern Pacific Company, testified that, while he was unaware as to the details of the subway crossing contemplated or desired by the county of San Mateo, he was of the opinion that the proposed undergrade crossing would cost not less than $30,000 and that the present method of egress and ingress from the north to packing houses located on the east side of the Southern Pacific tracks would be eliminated if the proposed undergrade crossing were to be installed.

After careful consideration of all the evidence and statement of counsel offered at the hearing on this proceeding, it appears that this is a matter which can not at the present time be finally determined, as the county of San Mateo, applicant in this proceeding, is on record, through the supervisor in the district including Colma, to the effect that it is unwilling to use the county funds for the construction of a subway, taking the position that the matter is a local one which is not of general interest or benefit to the county of San Mateo. The Southern Pacific Company contends that it can not satisfactorily answer the matter until it has definite knowledge of what was proposed by the county of San Mateo and as to what will be the cost of the proposed improvement; that no plans, specifications or estimates of cost have been filed and no opportunity is therefore present for any interested party to present objections or specific approval of what may be proposed. There is, however, a very general demand for

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the establishment of the proposed undergrade crossing and as the counsel for applicant, who also represented the Colma Improvement Club, definitely stated that it is intended to form an assessment district to provide the necessary funds to meet the expense of the proposed undergrade crossing it may be possible for the parties in interest to work out a solution which will be satisfactory to all concerned.

In view of the situation in its present condition, the Commission is of the opinion that it should not grant the application herein sought and authorize an excavation under the tracks of the Southern Pacific Company when the applicant in this proceeding, through a supervisor representing the county of San Mateo, is on record for itself and the board of supervisors that the county does not wish to be subject to assessment for any portion of the cost. In our opinion, based on all the circumstances as developed from the evidence at the hearing on the application in this proceeding, we feel that the application should at this time be dismissed without prejudice to renewal when the plans proposed by applicant in the formation of the assessment district to care for the portions of expense which may be found should properly be borne by such assessment district may be presented. The matter may then be presented to the Commission in a new application.

ORDER.

County of San Mateo having applied to this Commission for the right to excavate or tunnel under the tracks of the Southern Pacific Company at the termination of Market street, Colma, San Mateo County, for the purpose of establishing an undergrade crossing at such point, a public hearing having been held, the matter being duly submitted and the Commission being fully advised:

It is hereby ordered, that for the reasons set forth in the foregoing opinion this application be and the same hereby is dismissed without prejudice.

Dated at San Francisco, California, this second day of March, 1921.

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DECISION NO. 8680.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO INCREASE ITS INDUSTRIAL RATES FOR NATURAL GAS SUPPLIED TO ITS CLASSES "B," "C," "D," AND OIL FIELD CONSUMERS WITHIN ITS EASTERN DISTRICT.

Application No. 5948.
Decided March 3, 1921.

CAPITAL EXPENDITURES—GAS COMPANIES—RATES WILL NOT BE INCREASED TO PROVIDE FUNDS FOR.—Applications to increase rates must be justified upon the question of reasonableness and upon the necessity for return upon the applicant's property and not on the need of applicant for capital to make improvements to its properties. Due to increase in cost of gas to applicant and increases in operating costs, rate for gas for industrial purposes in its eastern district is increased approximately five cents per thousand cubic feet, to become effective for meter readings made on and after March 20, 1921.

LeRoy M. Edwards, for Applicant.
G. H. Scott, for City of Santa Ana.
Jess E. Stephens and *H. Z. Osborne, Jr.*, for City of Los Angeles.
Wm. Bowring, for San Dimas Water Company.

BRUNDIGE, *Commissioner*.

OPINION.

This is an application by Southern Counties Gas Company for authority to increase the rates charged under its several schedules for natural gas sold for industrial purposes throughout its Eastern District, consisting of Orange County and that part of Los Angeles County located in and adjacent to Pomona, Whittier and Monrovia. A hearing has been held and the matter is now submitted and ready for decision.

Applicant has available for sale varying amounts of surplus natural gas over and above the requirements of its domestic and commercial consumers. In order to utilize this gas and also to provide additional revenue and make possible a lower rate for its domestic and commercial service this surplus has been sold for industrial purposes subject to the limitation in supply. The rates now in effect for this service were established by this Commission's Decision No. 5539, dated July 3, 1918 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 15, page 928). At that time the cost of gas purchased and all other operating expenses of applicant were much less than at present and other fuels which the gas supplanted were likewise cheaper. The gas sold for industrial purposes was used primarily to supplant other forms of fuel and the rates necessarily were fixed in view of this competition, which was an influencing factor in the determination of the price for which the gas for industrial purposes could be sold. Since 1918, when the rates were fixed, the cost of gas has materially increased and applicant now requests that the rates be revised to reflect the existing level of operating costs and to provide applicant a fair and reasonable return.

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Applicant finds itself confronted with the necessity of constructing many additions and betterments to its system in order to render satisfactory and continued service to its consumers and to provide for the growth of its business. Applicant urges that it be granted increased industrial gas rates and states that such additional revenues as it may receive from its industrial gas will be devoted to enlarging the capacity of its existing system and in the promotion of service betterments. Investigations which have been carried on by this Commission have indicated fully the absolute need for material improvement in applicant's system, such as increased compression and transmission facilities and increased holder capacity occasioned by the extremely rapid growth in the gas requirements of the several communities supplied.

If rate increase is justified in this case it must be justified upon the question of reasonableness and upon the necessity for return upon applicant's property and not on the need of applicant for capital to make improvements of property. Applicant can not expect to finance its large improvements out of earnings. An analysis of applicant's operation for the year ending September 30, 1920, shows the following as regards the revenue from the various classes of service rendered in its Eastern District:

TABLE No. I.

Southern Counties Gas Company—Eastern District.

Gas Sales, Revenue and Consumers, Year Ending September 30, 1920.

	Sales M cu. ft.	Revenue	Consumers
Domestic and commercial, Schedule "A"	943,166	$721,073	24,941
Gas engines, Schedule "B"	140,926	52,539	195
Industrial, Schedule "C"	94,133	36,588	120
Boiler and oil field use, Schedules "D" and "E"	2,336,434	502,849	140
Totals	3,514,959	$1,313,049	25,336

The operating expenses chargeable to the Eastern District for the same period show a total of $956,140 and a depreciation annuity allowance based upon the Commission's previous decision amounting to $67,817, making a total of $1,023,957. The larger part of the operating expenses consist of the cost of gas purchased, amounting to $615,908 during the period in question. The capital invested by applicant in its Eastern District exclusive of intangibles, based upon this Commission's Decision No. 5539, in which the present rates were established, including additions and betterments to October 1, 1920, is the sum of $2,922,291.

It is practically impossible to definitely determine, upon the basis of cost of service, the gas rates for industrial service in view of the fact that this service is subject to shut-off in order that the domestic and

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commercial service may be continued. Rates for this service depend to a considerable extent on the value of service as determined by competitive fuels. However, it is apparent that if possible the industrial service must pay the total cost of gas purchased after accounting for a portion of the losses, and, in addition, pay a part of the operating costs chargeable to the transmission and distribution of the gas, taxes and a part of the return on the investment necessary to serve such gas.

Applicant at the present time has a schedule designated as Schedule "E" upon which the larger portion of the gas served is distributed, which is applicable to gas sold in the oil fields. Applicant has been required to pay a higher rate for gas purchased than was in effect at the time of the establishment of this schedule, and, as a result, at the present time the gas sold under this schedule is actually sold at less than the cost of the gas to applicant. An analysis shows that the purchase price of gas has increased approximately two cents per thousand, and, if consideration is given to other charges, an increase of approximately five cents per thousand cubic feet has resulted. The rates herein set forth will result in an increase in the charges for industrial gas of approximately five cents per thousand cubic feet and are found to be just and reasonable.

I recommend the following form of order:

ORDER.

Southern Counties Gas Company having applied to the Railroad Commission for an order granting authority to increase its rates and charges for natural gas sold for industrial purposes to its Class "B," "C," "D" and "E" consumers in its Eastern District, public hearing having been held and the matter having been submitted and being now ready for decision:

The Railroad Commission hereby finds as a fact that the industrial gas rates now charged by Southern Counties Gas Company in its Eastern District under Schedules 1-B, 1-C, 1-D and 1-E are not just and reasonable rates, and that the rates herein established are just and reasonable rates for industrial gas service.

Basing its order upon the foregoing finding of fact and upon the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Southern Counties Gas Company be and the same is hereby authorized to charge and collect the following rates for gas for industrial purposes in its Eastern District, said rates to be effective for all regular meter readings taken on and after the twentieth day of March, 1921.

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Schedule 1-B.

Territory.

Applicable to Southern Counties Gas Company's Eastern District comprising the Orange County, Whittier, Pomona and Monrovia divisions.

Class of service.

This schedule applies to gas used in internal combustion engines only.

Rate.

First	100,000 cubic feet per meter per month	$0.45 per M cu. ft.
Next	400,000 cubic feet per meter per month	.40 per M cu. ft.
Next	500,000 cubic feet per meter per month	.35 per M cu. ft.
All over	1,000,000 cubic feet per meter per month	.30 per M cu. ft.

Minimum charge.

Minimum bill, $5 per meter per month from May to October, inclusive; $1 per meter per month from November to April, inclusive.

Special conditions.

Measurement based upon the unit of 1,000 cubic feet of gas at four-ounce pressure above atmosphere. Consumers of this class will have priority in the use of gas over consumers of Class "C" and Class "D" at times when there is insufficient gas to supply the demands of all consumers.

Schedule 1-C.

Territory.

Applicable to Southern Counties Gas Company's Eastern District, comprising the Orange County, Whittier, Pomona and Monrovia divisions.

Class of service.

This schedule applies to gas used by commercial and industrial consumers whose demand for gas is not dependent upon atmospheric temperature or upon the preparation of meals and whose time of maximum demand, if any, does not coincide with the maximum demand hours of Class "A" consumers. It will not be required that consumers of this class be equipped with facilities for using other fuel. This class will include bakeries, packing houses, metal working plants, preserving and canning establishments, fruit and vegetable dryers and other consumers whose load has the characteristics named above.

Rate.

First	50,000 cubic feet per meter per month	$0.45 per M cu. ft.
Next	150,000 cubic feet per meter per month	.40 per M cu. ft.
Next	400,000 cubic feet per meter per month	.35 per M cu. ft.
All over	600,000 cubic feet per meter per month	.30 per M cu. ft.

Minimum charge.

Minimum bill, $15 per meter per month from May to October, inclusive; $1 per meter per month from November to April, inclusive.

Special conditions.

Measurement based upon the unit of 1,000 cubic feet of gas at four-ounce pressure above atmosphere. Consumers of this class will have priority in the use of gas over consumers of Class "D" at times when there is insufficient gas to supply the demands of all classes.

Schedule 1-D.

Territory.

Applicable to Southern Counties Gas Company's Eastern District, comprising the Orange County, Whittier, Pomona and Monrovia divisions.

Class of service.

This schedule applies to gas used by those industrial consumers located on existing high pressure mains having a capacity in excess of the present demands of Class "A," "B" and "C" consumers, for the use of steam boilers, incinerators, kilns or similar appliances which are not used to heat buildings or to prepare meals, and which are equipped to use other fuels and can be changed over to use other fuels on 30 minutes' notice.

Rate.

First	100,000 cubic feet per meter per month	$0.35 per M cu. ft.
All over	100,000 cubic feet per meter per month	.30 per M cu. ft.

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Minimum charge.

Minimum bill $50 per meter per month from May to October, inclusive; $5 per meter per month from November to April, inclusive.

Special conditions.

Measurement based upon the unit of 1,000 cubic feet of gas at four-ounce pressure above atmosphere. At times of gas shortage consumers of this class will be shut off in favor of Classes "A," "B" and "C." No obligation is undertaken to serve consumers of this class for any period of time.

Schedule 1-E.

Territory.

Applicable in the Whittier-Fullerton District, including the Montebello, Whittier, Brea and Richfield Oil Field Districts or extensions thereof.

Class of service.

This schedule applies only to consumers who desire to use gas for pumping or drilling oil wells by steam power, and is for the sale of strictly surplus gas.

Rate.

Twenty-five cents per thousand cubic feet.

Minimum charge.

Minimum charge $50 per meter per month. Minimum guaranteed use of gas at each meter installation, $500 per annum.

Special conditions.

Measurement based upon the unit of 1,000 cubic feet of gas at four-ounce pressure above atmosphere. Consumers supplied under this schedule will be subject to shut-off without notice in the event of a threatened or actual shortage of gas, and the company will not be liable for any damages occasioned by discontinuance of gas supply. Such consumers will be expected to keep a supply of other fuels on hand.

It is hereby further ordered, that Southern Counties Gas Company shall, within twenty days from the date of this order, file with the Railroad Commission the schedules of rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of March, 1921.

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DECISION NO. 8681.

HERMAN JOHNSON
vs.
H. L. NAY TELEPHONE LINE.

Case No. 1481.
Decided March 3, 1921.

TELEPHONE SERVICE—DISCONNECTION OF—WHEN NOT JUSTIFIED, RECONNECTION CHARGE NOT PERMITTED.—The burden of properly maintaining telephone service rests with the utility and not with its subscribers and when service is continually breaking down it is the duty of the utility to inspect its property and make necessary repairs and replacements so as to enable it to render adequate service. Disconnection of complainant's telephone service being found not to have been justified, defendant directed to restore such service without charge and to adjust complainant's bills for period during which no service was rendered, also to immediately proceed with the reconstruction and repair of its system.

Alfred A. Johnson, for Complainant.

F. G. Nay, for H. L. Nay.

BY THE COMMISSION.

OPINION.

This case was first referred to the Commission informally and the Commission made certain suggestions to the defendant which were ignored by the defendant.

The complainant thereupon filed formal complaint.

The complainant alleges that he is a resident of Napa County and that he has been a subscriber to telephone service of the defendant, H. L. Nay's telephone line since February, 1918; that on, or about, November 25, 1919, his telephone went out of service and remained out of service for the period of about one month thereafter, with the exception of one day when it was temporarily repaired; that despite frequent requests made upon the defendant, no attempts were made to replace the interrupted service until the end of the month of December, 1919, except one day mentioned above; that defendant refused to make any allowance in the bill rendered subsequently for service on account of the failure to provide service as outlined above; and that upon complainant's refusing to pay the bill in full, defendant did on June 7, 1920, and against complainant's protest, cause the complainant's telephone service to be removed.

Complainant asks that defendant be compelled to restore service and adjust and correct his bill in accordance with the foregoing facts.

Defendant, answering the complaint, admits that this line was out of order perhaps eight or nine days, owing to a very high north wind, and alleges that the only lineman available was pressed into service during this period to fight forest fires.

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He alleges further, that as soon as he received a letter from complainant notifying him that the line was out of order, he notified his lineman and had the line repaired, after which neither he, nor his lineman, received any further notice from the complainant that the line was out of order. He therefore asks that complainant be directed to pay his bill in full and to pay all expenses to be incurred in reconnecting complainant's line.

A public hearing was held at Calistoga on February 7, 1921, by Examiner Satterwhite. The matter was submitted and is now ready for decision.

The testimony showed that the line in question has four or five subscribers upon it; that it was out of service for approximately one month's time, following Thanksgiving Day, 1919; that it was repaired once during this period; but remained so only one day; that three wire leads passing in front of a Mr. C. M. Wolf's house were broken and down on the ground.

Complainant testified that he had twice written defendant during this time notifying him that the line was out of order. Mr. C. M. Wolf, a witness for the complainant, testified that he is one of the subscribers on this line and that he wrote to defendant, notifying him that the line was out of order during this period.

F. G. Nay, for the defendant, testified that when the line was first out of order, his lineman was unable to attend to it on account of the necessity of his fighting forest fires in the neighborhood; that thereafter his lineman did repair the line and neither he nor his lineman received further notice that the line was out of order, until approximately one month had elapsed since the first day the line was out of order.

Further testimony was given, showing that the line has been out of order for short periods of time on and off for the past two years; that wherever the service is so interrupted the subscribers are supposed to notify the owner or his lineman, in order to have it repaired. Defendant's lineman testified, under cross-examination, that the poles go down every time the wind blows; that they are redwood poles, only four inches by four inches in cross section.

It appears that this telephone line is not constructed or being maintained in a manner to render efficient or satisfactory telephone service, and it is our opinion that the burden of properly maintaining a telephone utility should not rest on the subscribers but on the utility, that in this respect it should be the business of the utility to inspect its lines and keep them in such condition that good and continuous service will result.

Without first making a careful inspection of the property of this defendant, the Commission can not state as to what particular improve-

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ments should be made, but if it is a fact that by reason of age or any other reason the defendant's poles are decayed or insecurely set in the ground, they must be reset or stubbed, or replaced by poles of sufficient height and cross section; and if it is a fact that the defendant's telephone wires are subject to breaking, due either to age or interference from trees, said wires must be replaced, or trees trimmed, or both.

It is our opinion that the defendant should be excused of responsibility for one week's time, during which the line in question was out of order and during which defendant's lineman was obliged to be absent for the purpose of fighting forest fires.

The defendant's request that cost of reconnecting service for complainant can not be allowed. The evidence showed clearly that complainant notified defendant promptly of his demand for an adjustment. The discontinuance of service by defendant was made as the result of a dispute in which complaint was made against defendant's action in demanding pay for service which was not received. The complainant having made a showing that his complaint was justified, the Commission is therefore justified in requiring service restored without any payment by complainant for the cost of reconnecting.

ORDER.

Herman Johnson, having filed complaint in the above entitled proceeding, a public hearing having been held thereon, the matter being submitted and now ready for decision:

The Railroad Commission hereby finds as a fact that complainant was without telephone service for a period of approximately one month beginning Thanksgiving Day, 1919;

That defendant's lines are not being maintained in proper manner to insure good telephone service;

And that defendant was not justified in disconnecting the telephone service of complainant on June 7, 1920.

Basing its order upon the foregoing findings of fact and upon the further findings of fact set forth in the opinion preceding this order;

It is hereby ordered, that H. L. Nay, or his representative, forthwith restore telephone service to Herman Johnson, complainant.

It is further ordered, that H. L. Nay, or his representative, render within fifteen (15) days of the date of this order, an account to complainant, billing him for unpaid continuous exchange service at the rate of $2 per month up to June 7, 1920, and for toll service incurred and unpaid to date, less $1.53, allowed on account of no service received for twenty-three days, during the month of December, 1919, this bill to become due and payable upon its receipt by complainant.

It is further ordered, that H. L. Nay, or his representative, proceed at once to reconstruct all of his telephone lines in accordance with the

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requirements of this Commission as outlined in the preceding opinion; and that this work shall be completed and a report to that effect, showing in detail what has been done, made in writing to the Railroad Commission on or before May 1, 1921.

Dated at San Francisco, California, this third day of March, 1921.

DECISION NO. 8682.

IN THE MATTER OF THE APPLICATION OF CENTERVILLE WATER COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 5943.
Decided March 3, 1921.

WATER RATES—OVERCONSTRUCTION OF SYSTEM—INEFFICIENT MANAGEMENT.—In establishing a revised schedule of rates upon application of a water utility, the commission will not increase rates to the extent that they will provide a full return upon the value of the system when such system has been considerably overbuilt as regards the requirements of existing consumers and where investigation shows that it is not managed in an efficient and economical manner.

O. G. Foelker, for Applicant.

Edmund Nelson, for Certain Consumers.

BY THE COMMISSION.

OPINION.

Centerville Water Company is an incorporated public utility engaged in the business of supplying water for domestic and commercial purposes to consumers in and in the vicinity of the town of Centerville, Alameda County. In the above entitled proceeding applicant asks for authority to increase its rates for service, alleging in effect that the present rates do not provide sufficient revenue to yield operating expenses, a fund for depreciation and a reasonable return upon the investment.

A public hearing was held in this matter before Examiner Westover at Centerville. All interested parties were notified and given an opportunity to be present and be heard.

The affairs of Centerville Water Company have heretofore been reviewed by this Commission. An appraisal of the property of the company was made in 1915 in connection with the application of said company for permission to transfer its property (Decision No. 2284, Application No. 1441, Vol. 6, page 599, Opinions and Orders of the Railroad Commission of California), and further study was given in Application No. 3043, Decision No. 5181, issued March 6, 1918, which involved an application of this company for authority to issue stock for the purpose of securing a loan. To these proceedings we refer for the early history of the company and other matters relating to its management.

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At the hearing herein, Mr. M. R. MacKall, one of the Commission's hydraulic engineers, submitted a report and appraisal of this system showing the estimated original cost of the used and useful properties to be $25,729, a replacement annuity computed by the sinking fund method of $319, and a reasonable annual allowance for maintenance and operation of $2,335. This appraisement is based on the valuation of the system as prepared by the Commission's engineers in 1915 for the purposes of Application No. 1441, referred to above. That appraisal gave the estimated original cost of the system to be $17,972 as of February 17, 1915. To this figure has been added the estimated original cost of all subsequent additions and betterments to capital up to November 15, 1920, which amounted to $10,364. From this amount the sum of $2,607 has been deducted for retirements from capital, leaving the original cost as of November 15, 1920, $25,729.

The following is a summary of the annual charges based on the foregoing figures:

Return on $25,729 at 8 per cent	$2,058 00
Annual replacement fund	319 00
Maintenance and operation expense	2,335 00
Total	$4,712 00

On November 15, 1920, there were some 125 active services on this system of which 86 were metered. The rates at present in effect were arbitrarily adopted by applicant several years ago, and the estimated revenues collected for 1920 were $2,186. Evidence presented at the hearing, however, indicates lax methods in the operation and management of this system. It appears that the 1920 revenues would have amounted to not less than $2,800 had the affairs of this utility been more efficiently administered. Applicant has not exercised due diligence in making collections, nor have adequate rules and regulations governed the operations of the company. Furthermore, the system is largely overbuilt and the methods of construction and equipment of the entire plant have in many instances been uneconomic, extravagant and injudicious.

It appears, however, that a considerable expenditure has been made by applicant in providing adequate water at proper pressure for fire protection purposes. This is an important service to the territory and the utility is entitled to a reasonable compensation. There is an existing fire district in this locality which has the power to levy assessments to pay for this service and a reasonable rate will be included in the schedule.

A study of conditions prevailing under this system also shows that a great amount of water is wasted. This condition could be remedied and more adequate and satisfactory service rendered if meters were

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installed throughout the system. A metered system not only results in a conservation of the water supply, but is also a means whereby the charges for service rendered may be more equitably distributed, inasmuch as each consumer pays in direct proportion to the amount of water consumed. Increased revenues will undoubtedly result and operating expenses be curtailed by metering the system and the exercise of proper diligence in the management of its affairs.

Taking all the facts into consideration, we find that Centerville Water Company is entitled to receive an increased revenue, yet it would be unfair to the present consumers to require them to pay rates which would return the total of the annual charges. The rates set out in the following order are designed to yield sufficient revenue to provide for the necessary and proper cost of maintaining and operating the system, together with an adequate replacement annuity and a fair return on the sum economically expended for the benefit of the present consumers.

ORDER.

Centerville Water Company, a corporation, having made application to the Railroad Commission as entitled above, a public hearing having been held in said matter and the Commission being fully apprised in the matter:

It is hereby found as a fact, that the rates now charged by Centerville Water Company for water supplied to its consumers, in so far as they differ from the rates herein established, are unjust and unreasonable rates, and that the rates herein established are just and reasonable rates for the service rendered.

And basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, by the Railroad Commission of the State of California, that Centerville Water Company be and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, the following schedule of rates, said rates to be charged for all service rendered subsequent to March 1, 1921, and to be and become effective as of that date:

MONTHLY FLAT RATES.

Residences not over five rooms occupied by a single family	$1 50
For each additional room	10
Additional for each flush toilet or bath tub	25
For each private barn with not more than two horses or cows	60
For each additional horse or cow	25
For each private garage where autos are washed on the premises	25
For sprinkling or irrigation of lawns, garden or shrubbery for each square yard of surface actually irrigated	01
Restaurants and cafes	2 50
Offices in upper stories of buildings, for each room provided with a water tap, except doctors' and dentists' offices	50

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Doctors' and dentists' offices not exceeding two rooms provided with water tap	1 50
For each additional room with a water tap	50
Drug stores	1 50
Photograph galleries	2 50
Barber shops, single chair	1 50
Each additional chair	50
Soda fountains, soft drink places and ice cream or lunch parlors either alone or in connection with other business	2 50
Butcher shops, bakeries	2 50
Livery and feed stables for not over ten head of stock	3 00
For each additional animal	25
Public garage, ten autos or less	3 00
For each additional machine	25
Blacksmith and repair shop according to use of water	$1 50 to 3 00
Living rooms in connection with stores, shops or buildings, additional to store, shop or other rate	75
Additional for each flush toilet or bath tub in above establishments not otherwise provided for	25
For ordinary stores and shops not otherwise listed above, according to use of water	$1 50 to 3 00
Public water troughs	3 00
Fire hydrants:	
For hydrants on 4-inch mains, per month	2 50
For hydrants on mains less than 4 inches, per month	2 00
All other use at meter rates.	

METER RATES.

Monthly minimum payments for metered service:	
For ¾- or ⅝-inch meters	$1 25
For 1 -inch meter	1 50
For 1½-inch meter	2 00
For 2 -inch meter	2 50
For 2½-inch meter	3 00
For 3 -inch meter	3 50
Monthly quantity rates:	
300 cubic feet or less	1 25
Next 700 cubic feet, per 100 cubic feet	35
Next 3000 cubic feet, per 100 cubic feet	30
All over 4000 cubic feet, per 100 cubic feet	25

Dated at San Francisco, California, this third day of March, 1921.

DECISION No. 8683.

IN THE MATTER OF THE APPLICATION OF DEATH VALLEY RAILROAD COMPANY FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF CERTAIN STOCK.

Application No. 2073.
Decided March 3, 1921.

BY THE COMMISSION.

FIFTH SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission on February 14, 1916, by Decision No. 3099 (Vol. 9, Opinions and Orders of the Railroad Commission of California, page 196), authorized applicant to sell at par 239 shares of its capital stock at the par value of $100 per share for the purpose of retiring on March 1, 1916, fifty of its outstanding bonds of the

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face value of 100 pounds sterling each, as provided for in applicant's deed of trust securing the payment of said bonds; and

Whereas, the following statement appears in the Commission's decision of February 14, 1916:

"Applicant has asked for an order giving it authority to issue and sell in the future additional shares of its capital stock to take care of sinking fund payments as above set forth, as such payments become due. We can not at this time grant such an order; but supplemental orders may be issued hereunder, granting applicant permission, from time to time, to sell its stock for the above mentioned purpose without necessitating the filing of a new formal application or the holding of a formal hearing every year."

and

Whereas, in accordance with the Commission's suggestion, applicant on January 24, 1921, made a written request to the Railroad Commission for authority to sell 439 shares of its capital stock at par for the purpose of retiring ninety of its outstanding bonds of the face value of 100 pounds sterling each; and

Whereas, applicant reports that it will require $43,830 to retire said ninety bonds, and the Commission being of the opinion that applicant's request should be granted;

It is hereby ordered, that Death Valley Railroad Company be and it is hereby granted authority to issue and sell to Borax Consolidated, Limited, on or before July 1, 1921, at not less than $100 per share, 439 shares ($43,900) of its common capital stock and use the proceeds derived from the sale of said stock to retire ninety of its outstanding bonds of the par value of 100 pounds sterling due and payable March 1, 1921;

Provided, Death Valley Railroad Company will keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of stock herein authorized to be issued, and on or before the twenty-fifth day of each month make verified reports to the Railroad Commission, all in accordance with the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

It is hereby further ordered, that Decision No. 3099, dated February 14, 1916, as amended, shall remain in full force and effect, except as modified by this fifth supplemental order.

Dated at San Francisco, California, this third day of March, 1921.

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DECISION NO. 8684.

IN THE MATTER OF THE APPLICATION OF MODESTO GAS COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 6478.
Decided March 3, 1921.

Frank A. Cressey, Jr., for Applicant.
BRUNDIGE, *Commissioner*.

OPINION.

Modesto Gas Company asks permission to issue $25,000 face value of its first mortgage 6 per cent bonds due January 1, 1945.

The company intends to use the proceeds from the sale of the bonds to reimburse its treasury, it reporting that during the years 1916 to 1920, both inclusive, it expended for plant extensions, additions and betterments, the sum of $29,559.86, against which no bonds have been issued. A detailed statement of these expenditures is contained in Exhibit "B" attached to the petition. These expenditures have been examined by the Commission's engineers and found to be reasonable.

Applicant reports $100,000 of stock and $130,000 of bonds outstanding on December 31, 1920. In addition, applicant reports $20,000 of notes and $14,271.40 of accounts payable, and a surplus of $65,836.55.

In Decision No. 7581, dated May 17, 1920, the Commission in fixing applicant's rates, used as a rate base the sum of $281,958.42.

Applicant reports revenues and expenses for the years ending December 31, 1920 and 1919, as follows:

Income and surplus account	1920	1919
Operating revenue	$116,577 88	$85,535 31
Operating expenses	96,862 11	75,355 05
Net operating revenue	$19,715 77	$10,180 26
Nonoperating revenues	740 31	933 99
Gross corporate income	$20,456 08	$11,114 25
Deduct:		
Uncollectible bills	$438 20	$429 84
Interest on funded debt	7,470 00	4,690 00
Other interest	769 95	317 64
Amortization of debt discount and expense	383 16	252 73
Total deductions	$9,061 31	$5,690 18
Surplus for year	$11,394 77	$5,424 07
Surplus at beginning of year	56,895 90	45,575 61
Miscellaneous additions to surplus	328 05	8,402 80
Dividends	-----	1,000 00
Miscellaneous deductions from surplus	2,782 17	1,506 58
Surplus at end of year	$65,836 55	$56,895 90

I herewith submit the following form of order:

ORDER.

Modesto Gas Company, having applied to the Railroad Commission for permission to issue bonds, a public hearing having been held and

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the Railroad Commission being of the opinion that the money, property or labor to be procured thereby is reasonably required for the purpose or purposes specified in the order, and the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expense or to income;

It is hereby ordered, that Modesto Gas Company be and it is hereby authorized to issue and sell at not less than 80 per cent of their face value, plus accrued interest, $25,000 of its first mortgage bonds due January 1, 1945.

The authority herein granted is subject to further conditions as follows:

1. The proceeds from the sale of the bonds herein authorized to be issued and sold shall be used to reimburse applicant's treasury on account of earnings invested in plant extensions, additions and betterments, as described in applicant's Exhibit "B" filed in this proceeding, and after such reimbursement, to pay outstanding notes and accounts payable.

2. Modesto Gas Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4. The authority herein granted will apply only to such bonds as may be issued and sold on or before October 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of March, 1921.

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DECISION NO. 8685.

IN THE MATTER OF THE APPLICATION OF UNION HOME TELEPHONE AND TELEGRAPH CORPORATION, LONG BEACH HOME TELEPHONE AND TELEGRAPH COMPANY, SAN BERNARDINO HOME TELEPHONE AND TELEGRAPH COMPANY, AND ASSOCIATED TELEPHONE COMPANY, FOR PERMISSION TO ISSUE STOCKS AND BONDS OF ASSOCIATED TELEPHONE COMPANY FOR STOCKS AND BONDS OF UNION HOME TELEPHONE AND TELEGRAPH CORPORATION, AND OTHER PURPOSES; TO PLEDGE AND MORTGAGE SAID STOCK AND BONDS OF UNION HOME TELEPHONE AND TELEGRAPH CORPORATION, AND ALL OTHER PROPERTY OF ASSOCIATED TELEPHONE COMPANY, AS SECURITY FOR SAID BONDS OF ASSOCIATED TELEPHONE COMPANY; TO LEASE PROPERTY OF UNION HOME TELEPHONE AND TELEGRAPH CORPORATION, LONG BEACH HOME TELEPHONE AND TELEGRAPH COMPANY, AND SAN BERNARDINO HOME TELEPHONE AND TELEGRAPH COMPANY, TO ASSOCIATED TELEPHONE COMPANY; TO ASSIGN THE TELEPHONE FRANCHISES OF LONG BEACH HOME TELEPHONE AND TELEGRAPH COMPANY, SAN BERNARDINO HOME TELEPHONE AND TELEGRAPH COMPANY AND UNION HOME TELEPHONE AND TELEGRAPH CORPORATION, TO ASSOCIATED TELEPHONE COMPANY, FOR THE LEASES; AND TO ESTABLISH RATES, RULES, REGULATIONS AND PRACTICES FOR ASSOCIATED TELEPHONE COMPANY.

Application No. 6231.
Decided March 3, 1921.

JURISDICTION—PAYMENT OF BOND INTEREST—REORGANIZATIONS.—In connection with reorganization of certain telephone properties the Commission holds that it has no jurisdiction to adjudicate the rights of bondholders with reference to the payment of interest coupons, such matters resting entirely with the courts, its authority to issue stock in payment of interest coupons being permissive only and not compulsory.

San Bernardino, Long Beach and Union Home Telephone and Telegraph companies authorized to lease their properties to the Associated Telephone Company provided the lease agreement be so modified as to require the Associated company to assume all valid obligations of the Union company or that the rental specified be increased to an extent sufficient to enable the Union company to itself meet such obligations. Associated Telephone Company authorized to issue $611,326 par value of its common stock and $829,200 face value of 6 per cent bonds, all of such bonds and $511,326 par value of stock to be used in refunding outstanding stock and bonds of Union company, the balance of such stock to be sold at not less than 80, proceeds to be used for additions and betterments to plant.

W. W. Butler, for Applicants.

Flint and Mackay, by *H. B. Cornell*, for Kellogg Switchboard and Supply Company.

BRUNDIGE, *Commissioner*.

OPINION.

This application involves the refinancing of the properties now operated by Union Home Telephone and Telegraph Corporation and the leasing of these properties to Associated Telephone Company, a new corporation.

The testimony shows that the Union Home Telephone and Telegraph Corporation owns all of the outstanding stock and bonds of the San Bernardino Home Telephone and Telegraph Company, and all of the

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outstanding stock and all but $25,000 of the outstanding bonds of Long Beach Home Telephone and Telegraph Company.

Union Home Telephone and Telegraph Company reports $1,382,000 of 5 per cent bonds and $1,872,550 of stock outstanding on December 31, 1920. Originally the company issued $5,500,000 of stock. Some years ago, the testimony shows, the board of directors levied an assessment of $2 a share upon the stockholders and that all of the outstanding stock, except $1,872,550 was surrendered by the owners thereof rather than pay the assessment.

George B. Ellis, president of the Union Home Telephone and Telegraph Corporation, testified that the present capitalization of the properties makes it impossible for the company to raise new moneys either through the sale of bonds or stock. In Decision No. 7438, dated April 19, 1920, in Application No. 4817, in which decision the Commission fixed applicant's rates, the Commission, after calling attention to the company's capitalization, says:

"Apparently only two means exist to remedy this situation. Either the company should speedily effect a financial reorganization, or assessments should be levied against the outstanding stock in sufficient amount to provide the company with the necessary operating capital, including the capital needed for extensions and improvements."

The president of the Union Home Telephone and Telegraph Corporation is of the opinion that funds sufficient to meet the needs of the company can not be raised through assessments. It has, therefore, been concluded to refinance the properties though the organization of the Associated Telephone Company. Under the plan of refinancing, the Associated Telephone Company will issue $600 face value 6 per cent bonds due August 1, 1950, and $300 of its common stock, in exchange for each $1,000 bond of Union Home Telephone and Telegraph Corporation, and $75 in cash, or its equivalent. For each $100 of Union Home Telephone and Telegraph Corporation stock outstanding, the Associated Telephone Company will issue $2 par value of its stock. In addition, the Associated Telephone Company will issue approximately $59,275 of stock to pay off matured interest coupons and other claims. There are $1,382,000 of bonds and $1,872,550 of stock of Union Home Telephone and Telegraph Corporation outstanding. Holders of $1,204,000 of bonds and the owners of $1,867,300 of stock have assented to the plan of refinancing. If all assent, the Associated Telephone Company will issue for refinancing purposes, $829,200 of bonds and $511,326 of stock, or a total of $1,340,526 of bonds and stock, as compared with a total of $3,254,550 now outstanding. The reduction in capitalization of the properties amounts to $1,814,024. The outstanding bonds will be reduced $552,800 and the outstanding stock $1,361,224.

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The $75 per $1,000 bonds which the bondholders are required to pay to the company in order to participate in the plan of refinancing may be paid either in cash or through the cancellation of interest coupons. If the latter method is pursued, the interest coupon attached to the Union Home Telephone and Telegraph Corporation bonds and due August 1, 1920, and the two coupons—one due February 1, 1921, and the other August 1, 1921—attached to Associated Telephone Company bonds, will be cancelled. The value of the three coupons aggregates $61. The difference between the $75 to be paid by the holder of each $1,000 bond and the $61, will be adjusted through dividend payments.

Associated Telephone Company in its lease with Union Home Telephone and Telegraph Corporation, agrees to pay all interest on Union Home Telephone and Telegraph Corporation bonds not exchanged after August 1, 1921. It is the intention of the company to keep open the refinancing plan so that those who have not yet signed the plan may do so and participate in the refinancing of the properties upon the same basis as those who have already signed the plan.

Associated Telephone Company proposed to issue $25,000 of bonds to retire $25,000 of bonds of the Long Beach Telephone and Telegraph Company.

Applicants in Exhibit "8" report expenditures on capital account of $61,649.50 from January 1 to November 1, 1920, and estimate that during 1921, $131,911.30 should be expended for further additions and betterments. To pay in part for the expenditures during 1921, applicant asks permission to issue at not less than $80 per share, $100,000 of its common stock.

Associated Telephone Company will continue in effect the rates, rules and regulations of Union Home Telephone and Telegraph Corporation.

The lease between Union Home Telephone and Telegraph Corporation provides, among other things, that Associated Telephone Company will spend such sums as may be necessary from time to time for maintenance, operation and new construction in connection with the property leased and during the period of the lease to pay all taxes, assessments and license fees which may become a proper charge against the lessor, to pay interest becoming due after August 1, 1921, on such bonds of the lessor as are not exchanged for stock and bonds of the Associated Telephone Company, to assume and agree to pay the indebtedness of the lessor to Kellogg Switchboard and Supply Company of Chicago, the notes of lessor due Pacific Telephone and Telegraph Company and also other current and floating indebtedness of the les-

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sor, except past due interest coupons of lessor and outstanding obligations of lessor given therefor.

It appears from the testimony that upon two former occasions the bondholders of Union Home Telephone and Telegraph Corporation were asked to forego the collection of interest coupons Numbers 10, 11, 12 and 13; also Numbers 19, 20, 21 and 22. This was done for the purpose of enabling the company to use earnings which would ordinarily be applied to the payment of interest to pay for additions and betterments.

It appears that a few of the bondholders have to date not agreed to waive the payment of the coupons mentioned.

The company has refused to pay any coupon numbered subsequent to 22 unless the holder of the bond waived payment of the coupons heretofore mentioned. The company insists that it must treat all bondholders alike and that it cannot pay the coupons of some and urge others to waive payment. Whatever rights the bondholders may have is a matter, as has been pointed out before, for the courts, rather than for this Commission, to determine. The Commission is in accord with the policy of treating all bondholders alike and will not tolerate any discrimination, and therefore, while authority is herein granted to issue some stock to refund unpaid coupons, such authority is permissive and not compulsory. The Commission cannot require any one to accept stock in payment for interest coupons. If any holder of an unpaid coupon finds himself in a position similar to that of the holders of coupons who have received cash payment, the company should pay him in cash also, if such payment is desired.

The Commission believes that the lease between the Union Home Telephone and Telegraph Corporation and the Associated Telephone Company should be modified and that all obligations of the Union Home Telephone and Telegraph Corporation should be assumed by the Associated Telephone Company, or else a greater consideration given for the use of the properties of the Union Home Telephone and Telegraph Corporation in order that it may discharge its recognized and valid obligations.

There has been filed in this proceeding a copy of the proposed mortgage of the Associated Telephone Company. Subsequent to the hearing, the mortgage was modified in a minor particular. As modified, the mortgage is satisfactory to the Commission.

I herewith submit the following form or order:

ORDER.

Application having been made to the Commission for permission to lease telephone properties, to execute a mortgage and issue stocks and bonds, a public hearing having been held, and the Commission being

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of the opinion that the money, property or labor to be acquired through the issue of the stock and bonds herein authorized, is reasonably required by the Associated Telephone Company, and that the expenditures herein authorized are not reasonably chargeable to operating expenses or to income;

It is hereby ordered, that San Bernardino Home Telephone and Telegraph Company, Long Beach Home Telephone and Telegraph Company and Union Home Telephone and Telegraph Corporation, be and they are authorized to lease their properties to the Associated Telephone Company under a lease arrangement substantially in the same form as the leases filed in this proceeding, provided that the lease between Union Home Telephone and Telegraph Corporation and Associated Telephone Company be modified so as to require the Associated Telephone Company to assume all valid obligations of Union Home Telephone and Telegraph Corporation, or the rental specified in the lease, modified so as to permit Union Home Telephone and Telegraph Corporation to meet its valid obligations.

It is hereby further ordered, that Associated Telephone Company be and it is hereby authorized to execute a mortgage substantially in the same form as the mortgage filed in this proceeding.

It is hereby further ordered, that Associated Telephone Company be and it is hereby authorized to issue $611,326 of its common stock and $829,200 of its 6 per cent bonds.

The authority herein granted is subject to the following conditions:

1. All the bonds herein authorized to be issued, and $511,326 of stock herein authorized to be issued, shall be used for the purpose of refunding the outstanding bonds and stock and certain outstanding interest coupons of the Union Home Telephone and Telegraph Corporation, referred to in this application.

2. One hundred thousand dollars of the stock herein authorized to be issued shall be sold by applicant for not less than $80 per share, and the proceeds used to pay for the additions and betterments described in applicant's Exhibit No. 10.

3. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

4. The authority herein granted to issue bonds and stock shall not be interpreted as a finding of value of the properties herein authorized to be leased for any purpose other than the issue of the stock and bonds herein permitted.

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5. The authority herein granted will not become effective until Associated Telephone Company has paid the fee prescribed in the Public Utilities Act.

6. Associated Telephone Company shall keep such record of the issue and sale of the stock and bonds herein authorized and of the use of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

7. The authority herein granted will apply only to such bonds and stock as may be issued or sold on or before October 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of March, 1921.

DECISION NO. 8692.

CITY OF REDLANDS, A MUNICIPAL CORPORATION,

vs.

SOUTHERN SIERRAS POWER COMPANY.

Case No. 1378.

Decided March 3, 1921.

ELECTRIC SERVICE—TO MUNICIPALITIES—APPLICATION OF SURCHARGE TO.—The fact that a consumer is a municipality which is not primarily engaged in the operation of a municipal electric utility does not entitle it to the subcharge of 2 mills per kilowatt hour, the rate applicable to energy purchased for resale, when the major portion of the energy which it purchases is used for operating the electric pumps of the city. Practice of defendant in adding a surcharge of 2½ cents per kilowatt hours for energy sold to the city for pumping purposes and 2 cents per kilowatt hour for energy for resale purposes held to be in accordance with the order establishing such surcharge. Complaint dismissed.

BY THE COMMISSION.

OPINION.

In this complaint the City of Redlands alleges that the application of the surcharges authorized by this Commission in Decision No. 6013, dated December 23, 1918, to be charged by the Southern Sierras Power Company, is unjust and unreasonable when applied to the electricity purchased by the city of Redlands from the defendant and seeks appropriate relief from the Commission.

The issues result from a difference between the parties as to the interpretation of the Commission's order in Decision No. 6013 above mentioned. It was not deemed necessary that a hearing be held in the matter and both complainant and defendant agreed to submit this proceeding by the filing of an agreed statement of facts and briefs.

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Under date of January 21, 1920, the city of Redlands and the Southern Sierras Power Company stipulated "That the taking of testimony herein upon complainant's petition is hereby waived and the said Railroad Commission may hear said petition upon the facts herein stipulated and the facts admitted by the pleadings filed herein and the said contract so filed with said commission without the taking of further testimony."

The Commission has before it a stipulation from both parties as to the facts relating to the character and use of the electricity supplied by defendant to complainant and the other statements referred to in the above stipulation.

The city of Redlands purchases electricity from Southern Sierras Power Company and the energy so purchased by the city is used principally for the operation of the city's water pumping plants, except for a small portion thereof which is resold by the city to private parties for power service.

The surcharges authorized in Decision No. 6013, in so far as they apply to the electric service rendered to the city of Redlands by defendant, are, in the language of the order, as follows:

> "For energy sold for power service including agricultural, industrial and mining power----------2.5 mills per kilowatt hour
> For energy sold to other utilities including municipal distribution systems other than Nevada-California Power Company and Southern California Edison Company ----------2 mills per kilowatt hour"

These surcharges were effective for meter readings taken on and after January 2, 1919, and in bills rendered on and after that date by defendant to city of Redlands surcharges of 2½ mills and 2 mills per kilowatt hour have been applied on the energy used for pumping and for resale respectively. The city of Redlands claims that the proper surcharge, if any, should be 2 mills per kilowatt hour on all energy used, basing its contention largely on its classification of the city's service as a municipal distribution system.

In authorizing temporary increases in rates to Southern Sierras Power Company in Decision No. 6013 it was the purpose and intent of our order that different classes of service, especially where separable, should pay different surcharges. In the present instance the service supplied by defendant to city of Redlands is used for two separate and distinct purposes, city of Redlands being partly a power consumer to the extent that it uses the greater part of the electricity supplied by defendant for operating its pumping plants, and partly an electric utility to the extent that it resells a small portion of the electricity so purchased.

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It therefore follows that under the original order in Decision No. 6013 the proper method of billing the surcharges to the city of Redlands would be to add the surcharge of 2½ mills per kilowatt hour on the electricity used by the city in the operation of its pumps, which is strictly a power service, and a surcharge of 2 mills per kilowatt hour on that portion of the energy sold to the city of Redlands and subsequently resold by it.

The fact that the consumer in this instance is a municipality and as such is not primarily engaged in the operation of a municipal electric utility does not entitle it to the surcharge of 2 mills per kilowatt hour on the major portion of the electricity which it purchases from the defendant and uses for operating the electric pumps of the city.

It further appears that Southern Sierras Power Company has, in billing the city of Redlands, applied the surcharge of 2½ mills per kilowatt hour to that portion of the electricity which the city uses for power and pumping service and the surcharge of 2 mills per kilowatt hour to that portion of the electricity sold to the city and subsequently resold by it. This method of billing is not only in accord with the wording of the Commission's order in Decision No. 6013, but is also in conformity with the purpose and intent thereof.

The charges for electricity supplied to the city of Redlands by Southern Sierras Power Company being in accordance with the order of this Commission in Decision No. 6013, and the complaint of the city of Redlands herein being without foundation in fact, there is no relief due complainant as prayed for.

ORDER.

The city of Redlands having filed complaint against the Southern Sierras Power Company, the matter having been submitted by stipulation and briefs and being now ready for decision, and there being no foundation in fact to the subject matter of the complaint of the city;

It is hereby ordered, that this proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this third day of March, 1921.

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DECISION NO. 8693.

IN THE MATTER OF THE APPLICATION OF L. N. WOOD, OWNER CAPAY TELEPHONE LINE, FOR PERMISSION TO INCREASE TELEPHONE RATES.

Application No. 5972.
Decided March 3, 1921.

L. N. Wood, in propria persona.

BY THE COMMISSION.

OPINION.

Applicant asks for an increase in rates charged for telephone service in the Capay Valley, between Capay and Rumsey, Yolo County.

A public hearing upon the application was held by Examiner Westover at Capay.

The telephone system owned by applicant consists of a central office at Capay, with one line running to Guinda, a distance of 14 miles, and one to Rumsey, a distance of 19 miles, both on the same poles as far as Guinda, and one or two short lines off of these two. Long distance connection is made with the Pacific Telephone and Telegraph Company at Capay. There are 42 subscribers.

Applicant's present rate is $1 per month for all subscribers. The telephone instruments are owned by applicant, but subscribers replenish their batteries themselves.

Applicant asks that this rate be raised to $2 per month. He also proposes, in the event an increase is granted to improve the service by increasing the number of lines. This is to be accomplished by moving the central office from Capay to Guinda; purchasing a pole line and two wire circuits between Capay and Esparto, a distance of one and one-half miles; and by subdividing the existing lines. A toll line will be created between Guinda and Esparto and applicant asks that a rate of fifteen cents a message, unlimited as to length of time consumed in conversation, be allowed for use of this line.

The amount of the applicant's investment is estimated by him at $2,700, and the cost of making the proposed improvements at $400.

An engineer of the Commission has made an inventory and appraisal of the plant as of January 1, 1921, and finds the reproduction cost on an historical basis to be $2,729.22, and the reproduction cost less accrued depreciation to be $1,621.09.

From an examination of applicant's records, the Commission's engineer found the gross revenue collected last year to have been the sum of $603.26, and expenses for operation and taxes $385.69. The latter sum does not include any charge for the time of owner devoted to the maintenance of the plant. A fair allowance should be made

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for this. The Commission's engineer estimates that during the coming year maintenance, operating expenses, taxes, and a fair allowance to provide for depreciation will amount to $701.69.

The rates contained in the following order will, in our opinion, provide the above charges and, in addition, a fair return to the applicant upon the value of his property plus the value of additions and betterments which will be required in order to provide efficient service. The showing made does not warrant the $2 rate requested.

A toll rate of fifteen cents a message, unlimited as to length of time consumed and over a line of the length of that proposed, is deemed reasonable and will be allowed.

There was no opposition at the hearing to a reasonable increase in rates if good service be rendered.

The lines are at present overloaded, there being from 17 to 22 subscribers on a line. These lines should be divided in the manner outlined by the applicant and, in addition, a new subscribers' circuit should be built between Capay and Esparto to further relieve the overloading.

ORDER.

A public hearing having been held upon the above entitled application, the matter having been submitted and ready for decision,

The Railroad Commission hereby finds that the rates at present in effect by the above described utility are noncompensatory and inadequate, but that the rates contained in this order are just and reasonable.

Basing its decision upon the above finding of fact and upon all of the statements of facts contained in the opinion preceding this order;

It is hereby ordered, that L. N. Wood, owner of the Capay Telephone Line, be and he is hereby authorized to establish and make effective the following rates:

Party line, exchange service, business wall telephone, per month	$1 75
Party line, exchange service, residence wall telephone, per month	1 50
Desk set telephones, per month extra	25
Toll service, between Guinda and Esparto, 15 cents per message, unlimited.	

Provided, that the authority herein granted shall not become effective until applicant shall have submitted to this Commission satisfactory evidence that the present lines have been subdivided and additional lines acquired sufficient to relieve present overloaded lines, and that efficient and satisfactory telephone service is being provided; nor until this Commission shall have issued its supplemental order herein, setting forth that the improvements hereinabove specified have been provided.

Dated at San Francisco, California, this third day of March, 1921.

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DECISION NO. 8694.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF PREFERRED CAPITAL STOCK IN THE AMOUNT OF TWO MILLION DOLLARS PAR VALUE.

Application No. 6583.
Decided March 3, 1921.

Paul Overton, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Los Angeles Gas and Electric Corporation asks permission to issue and sell at not less than $85 per share 20,000 shares ($2,000,000) of its 6 per cent cumulative preferred stock.

In Decision No. 8516, dated January 5, 1921, Application No. 6450, the Commission authorized applicant to issue and sell at not less than $85 per share 10,000 shares ($1,000,000) of its 6 per cent cumulative preferred stock. Applicant reports that up to close of business on February 25, it has sold $625,700 of this stock and that inquiries have been made for additional stock.

In connection with Application No. 6450, applicant filed with the Commission a statement showing estimated expenditures for plant extensions, additions and betterments, amounting to $5,183,470. The estimated expenditures reported in that application and incorporated in this application are summarized by applicant as follows:

Gas works	$2,132,105 00
Electric works	577,900 00
Gas distributing system	1,632,775 00
Electric distributing system	356,625 00
Miscellaneous	484,065 00
Total	$5,183,470 00

The necessity for making these expenditures is referred to in Decision No. 8516, dated January 5, 1921.

Mr. C. A. Luckenbach, third vice president of Los Angeles Gas and Electric Corporation, testified that the company's expenditures for plant extensions, additions and betterments during 1921 will be considerably in excess of $5,183,470, and that it will be necessary for applicant to hereafter file an application for permission to sell bonds and additional stock to carry forward its construction work.

The stock covered in this application, applicant intends to sell under the same terms and conditions that it is selling the $1,000,000 of its 6

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per cent cumulative preferred stock, the issue of which is authorized by Decision No. 8516, dated January 5, 1921.

I herewith submit the following form of order:

ORDER.

Los Angeles Gas and Electric Corporation having applied to the Railroad Commission for permission to issue $2,000,000 of its 6 per cent cumulative preferred stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Los Angeles Gas and Electric Corporation be and it is hereby authorized to issue 20,000 shares ($2,000,000) of its 6 per cent cumulative preferred stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold for not less than $85 per share and the proceeds used to pay in part for additions and extensions to plants, properties and equipment referred to in Exhibit "B" filed in Application No. 6450.

2. Los Angeles Gas and Electric Corporation shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will apply only to such stock as may be issued on or before December 31, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of March, 1921.

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DECISION No. 8695.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO SELL PROPERTY AND FRANCHISES AND TO LEASE PROPERTY TO SANTA MONICA BAY HOME TELEPHONE COMPANY AND TO WITHDRAW FROM THE TELEPHONE BUSINESS, AND OF SANTA MONICA BAY HOME TELEPHONE COMPANY FOR AUTHORITY TO ACQUIRE PROPERTY AND FRANCHISES AND TO LEASE PROPERTY FROM THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY AND TO ISSUE BONDS.

Application No. 3821.

IN THE MATTER OF THE APPLICATION OF THE SANTA MONICA BAY HOME TELEPHONE COMPANY TO ISSUE CERTAIN OF ITS COMMON CAPITAL STOCK FOR A PAST CONSIDERATION ALREADY RECEIVED, AND SELL CERTAIN OF ITS PREFERRED STOCK.

Application No. 5027.
Decided March 3, 1921.

SECURITY ISSUES—PUBLIC UTILITY TELEPHONE COMPANIES—ISSUANCE OF BONDS LIMITED BY OUTSTANDING STOCK.—When a public utility's board of directors have adopted a resolution that bonds shall not be issued in excess of the outstanding par value of capital stock, the utility is authorized to issue and deposit with the trustee of its mortgage $250,000 par value of its capital stock so as to enable it to issue and deliver bonds in accordance with an agreement of consolidation heretofore entered into and approved by this commission.

Application authorized to issue $250,000 par value of its common capital stock, such stock to be deposited in escrow and not hereafter sold unless authorized by this Commission and to issue and sell to the Pacific Telephone and Telegraph Company $31,500 of its 6 per cent preferred stock, also to issue and deliver to the Pacific company $265,000 face value of its 5 per cent bonds in part payment for properties acquired and advances made by the last named utility.

Pillsbury, Madison and Sutro; James T. Shaw and *Arthur Wright*, for The Pacific Telephone and Telegraph Company.

Dexter and Ellis and *L. C. Torrence*, for Santa Monica Bay Home Telephone Company.

Victor R. McLucas, for City of Santa Monica.

R. M. Blodgett, for City of Venice.

BY THE COMMISSION.

FIRST SUPPLEMENTAL OPINION.

On July 26, 1918, the Railroad Commission made an order authorizing the Pacific Telephone and Telegraph Company to sell to and exchange with the Santa Monica Bay Home Telephone Company all that certain real and personal property and franchises in the cities of Santa Monica and Venice and the territory tributary thereto, all as more particularly described in Exhibit "A" and Exhibit No. "2" on file herein, and pending the consolidation of the properties authorized the Pacific Telephone and Telegraph Company to lease certain properties to the Santa Monica Bay Home Telephone Company. The authority was granted subject, among others, to the condition that before said sale or lease is finally consummated, the Commission by supplemental

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order shall fix the terms and conditions of such sale and lease and fix the amount of bonds which may be issued by Santa Monica Bay Home Telephone Company and the terms and conditions of such issue.

The properties of the Pacific Telephone and Telegraph Company were delivered and transferred to the Santa Monica Bay Home Telephone Company on April 1, 1919. The consolidation of the properties referred to in this application has since been completed, but no bonds have been issued by the Santa Monica Bay Home Telephone Company in payment for the properties.

The Pacific Telephone and Telegraph Company agreed to sell certain of its properties to the Santa Monica Bay Home Telephone Company for $177,200 and to accept in payment for such properties 5 per cent bonds of the Santa Monica company at 95 and accrued interest. The Pacific company also agreed to advance to the Santa Monica company $60,000, or such other amount, or furnish it with such materials and supplies, as may be necessary to enable Santa Monica Bay Home Telephone Company to consolidate the properties, and to accept in liquidation of such advances 5 per cent bonds of the Santa Monica company at 83⅓. A report submitted to the Commission shows that the Pacific company has filed with the Santa Monica company a bill for $84,828.30. A few adjustments may be made in the bill which may reduce it to approximately $80,000. The Santa Monica company proposes to issue about $197,000 of bonds in payment for properties purchased from the Pacific company and about $100,000 to pay or refund advances, making a total of $300,000.

Santa Monica Bay Home Telephone Company has at present $175,500 of preferred stock and no common stock outstanding. In 1907, it acquired the properties of Home Telephone and Telegraph Company of Santa Monica and Ocean Park, and agreed to pay in part for such properties $250,000 in common stock. None of this stock was ever issued. On July 17, 1907, the Board of Directors of Santa Monica Bay Home Telephone Company approved a resolution to the effect that the company should at no time sell or otherwise dispose of bonds in excess of its issued capital stock. In view of the fact that the company now has outstanding only $175,500 of stock and has also outstanding $181,000 of bonds, the Title Insurance and Trust Company, trustee under Santa Monica Bay Home Telephone Company's mortgage, refuses to certify the bonds which the company intends to deliver to the Pacific Telephone and Telegraph Company until the Santa Monica company has issued additional stock. The company, therefore, in Application No. 5027, asks permission to issue the $250,000 of common stock which it in 1907 agreed to issue in part payment

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for the properties of Home Telephone and Telegraph Company of Santa Monica and Ocean Park, and further asks permission to issue $31,500 of preferred stock which it has reacquired on account of the nonpayment of assessments by the holders thereof. The company agrees to deposit with a bank or trust company the $250,000 of common stock, if authorized by the Commission, under an escrow agreement, the terms of which will not permit the disposition of the stock in any manner without an order from the Railroad Commission.

The engineering department of the Commission has made an investigation of the properties of the Santa Monica Bay Home Telephone Company as the same existed on September 30, 1920, and estimates the historical reproduction cost new of the properties at $502,409 and the depreciated reproduction cost of the consolidated properties at $392,785. The company has not accepted these figures as correctly setting forth the cost of the properties and calls the Commission's attention to the fact that the net cost of additions and betterments since December 31, 1917, have been $39,539 instead of $3,556 included in the Commission's engineers' report. The company also urges that the present value of the properties is greatly in excess of the estimated historical reproduction cost. As said above, Santa Monica Bay Home Telephone Company has $175,500 of stock outstanding, which if added to the $250,000 which may be issued under the authority herein granted, makes a total of $425,500. The company has now $181,000 of bonds outstanding, and under the resolution of its board of directors, the trustee can certify $244,500 of additional bonds, if the $250,000 of stock is issued. These bonds, together with the $21,000 in the company's treasury and included in the $181,000 heretofore mentioned, will be delivered to the Pacific Telephone and Telegraph Company in part payment for properties acquired from that company. After this is done, Santa Monica Bay Home Telephone Company will remain indebted to the Pacific Telephone and Telegraph Company in the amount of approximately $32,000.

In Application No. 5027, as originally filed, Santa Monica Bay Home Telephone Company asked permission to issue $31,500 of 6 per cent preferred stock at $5 per share. Exception was taken by the Commission to the issue of stock at this price. It has been finally agreed between applicants that the Pacific Telephone and Telegraph Company would accept the $31,500 of stock in payment for the balance of the indebtedness not paid through the issue of bonds.

FIRST SUPPLEMENTAL ORDER.

Further consideration having been given to the above entitled applications, public hearings having been held and the Commission being of the opinion that the money, property or labor to be procured

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through the issue of the stock and bonds herein authorized is reasonably required by Santa Monica Bay Home Telephone Company and that the expenditures are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Santa Monica Bay Home Telephone Company be and it is hereby authorized to issue $250,000 of its common capital stock as part payment for the properties of Home Telephone and Telegraph Company of Santa Monica and Ocean Park, provided that such stock be deposited with a bank or trust company under an escrow agreement wherein it is agreed that the stock will not be disposed of in any manner whatsoever except as authorized by the Railroad Commission, and a copy of such escrow agreement filed with the Commission.

It is hereby further ordered, that Santa Monica Bay Home Telephone Company be and it is hereby authorized to issue and sell to the Pacific Telephone and Telegraph Company $31,500 of its 6 per cent preferred stock for the purpose of paying or refunding the advances against which Santa Monica Bay Home Telephone Company is not authorized to issue bonds, and which are referred to in the foregoing opinion. The Pacific Telephone and Telegraph Company is hereby permitted to acquire and hold said $31,500 of 6 per cent preferred stock, subject to the terms and conditions of this order.

It is hereby further ordered, that Santa Monica Bay Home Telephone Company be and it is hereby authorized to issue $265,000 of its 5 per cent bonds and to deliver said bonds to the Pacific Telephone and Telegraph Company in part payment for the properties and in liquidation of advances referred to in the above entitled applications.

The authority herein granted is subject to further conditions as follows:

1. The authority herein granted will not become effective until Santa Monica Bay Home Telephone Company has paid the fee prescribed in the Public Utilities Act.

2. Santa Monica Bay Home Telephone Company shall keep such record of the issue and sale of the bonds and stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will apply only to such bonds and stock as may be issued and delivered on or before July 1, 1921.

Dated at San Francisco, California, this third day of March, 1921.

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DECISION NO. 8696.

IN THE MATTER OF THE APPLICATION OF THE MARYSVILLE WATER COMPANY, A CORPORATION, FOR AN ORDER FIXING RATES FOR WATER.

Application No. 5831.
Decided March 4, 1921.

VALUATIONS—WATER SYSTEMS—PERCOLATING WATERS.—Passing upon applicant's claim for a value of sixty thousand dollars for water rights separate and distinct from the value of the land, the Commission holds that the water herein considered being percolating waters, they can have no such separate value aside from the value of the land which contains them. Expenditures which do not re-occur annually should not be charged to operating expenses, but should be amortized over a period of their probable reoccurrence and a reasonable sum is allowed for such purpose.

Revised schedule of rates established to become effective within twenty days and applicant directed to immediately proceed with a comprehensive plan for metering its entire system.

Richard Belcher and *Douglas Brookman*, for Applicant.

W. P. Rich, City Attorney, for City of Marysville, Protestant.

MARTIN, *Commissioner*.

OPINION.

The Marysville Water Company is an incorporated public utility engaged in the business of supplying water for domestic, commercial, irrigation and municipal uses in the city of Marysville, Yuba County, California. In this proceeding said company asks for an order of the Railroad Commission fixing just and reasonable rates to be charged for the service rendered by it, alleging in effect that the present rates are noncompensatory and do not produce sufficient revenue to meet increased costs of maintenance, operation and taxes and provide for depreciation and an adequate return on the fair value of its property.

A public hearing was held in this matter at Marysville. All interested parties were duly notified and given an opportunity to be present and be heard.

The history of this system shows that a franchise was granted the original company supplying the town of Marysville in 1857, since which time it has gone through various phases of reorganization. The company as it at present exists was incorporated in May, 1909. This company now has an abundant water supply which it obtains from wells located within the business district of the city. Its distribution system is comprised of iron and steel pipes of adequate capacity to serve its consumers. The company maintains an average of approximately 30 pounds pressure on the mains. There are some 1700 active consumers of which only 46 have metered service. The present rates were established by the municipal authorities and have been in effect for many years.

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At the hearing detailed appraisals of the physical properties of the company were submitted by Otto von Geldern, consulting engineer, for applicant; by N. Randall Ellis, consulting engineer, for the city of Marysville, and by H. A. Noble, one of this Commission's hydraulic engineers, for the Railroad Commission.

A comparative tabulation compiled from these appraisals for the schedule of properties as of July 1, 1920, exclusive of real estate and intangible values, follows:

By Otto von Geldern:

1. Total value estimated on basis of prices prevailing in 1919 and 1920 (undepreciated)		$389,138 00
2. Total estimated value computed on basis of average prices from 1913 to 1920 (undepreciated)		326,120 00
3. Total estimated value as of January 1, 1913, on basis of prices current in 1912	$176,327 00	
Additions and betterments, 1913 to 1920	56,707 00	
Total depreciated value	$233,034 00	
Adding the amount of depreciation	21,868 00	
Total (undepreciated)		$254,902 00

By N. Randall Ellis:

Total estimated reproduction cost on basis of average prices, 1910 to 1915, except for additions and betterments since 1913, which are added at actual cost	$238,194 00

By H. A. Noble:

Total estimated cost, computed generally on basis of average prices for five years pre-war period, except for recent construction or where book costs were used	$245,178 00

This is designed as an estimate of the historical cost of the system as it exists.

Engineer von Geldern submitted the above appraisal (2), of physical properties depreciated to $304,252, as representing the reasonable investment based on the average prices obtaining for the period from 1913 to 1920, which he contends should be considered in this rate proceeding. Appraisal (3) is compiled from the data submitted by Mr. von Geldern for comparison with the other estimates introduced in evidence, which are based on pre-war prices except for recent construction which is included at cost. It is noted that said appraisal (3) does not differ greatly from the totals submitted by the other engineers, and that of the Commission's engineer is approximately a mean of the other two.

Mr. von Geldern's appraisal, dated March, 1913, gives $25,000 as the value of the used and useful real estate, based on available company records, and from consultation with local real estate authorities. Subsequent thereto, in 1918, the company acquired two parcels of land at a cost of $12,000, which brings the total to $37,000. In his 1920 appraisal he arrives at the total of $52,500 by including increments to the previous values to obtain present value. Mr. Ellis, in his appraisal, concurs in the above total of $37,000 for this item.

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After investigation, the Commission's engineer submitted the detailed estimated cost of the real estate as $47,600, and deducting therefrom the $8,000 included for the nonoperative commercial lot, leaves a total of $39,600.

Evidence was presented by Mr. von Geldern to the effect that the value of the water rights of this utility was $60,000. Attention is directed to the fact that this entire district is underlain with very extensive water bearing strata from which water can be extracted. It is claimed, however, that the strata from which applicant extracts its water supply are limited, and that the water obtained in other places is not of as good quality as applicant's. It is further claimed that these strata probably extend in a northeasterly and in a southwesterly direction from applicant's wells; that considerable difficulty is experienced in definitely locating these strata so that a good well can be drilled, and then when the strata are located a plenteous supply in addition to that now obtained can be secured.

Attention is further directed to the fact that the claimed value of water rights is a value separate and distinct from the land, although the waters herein considered are percolating waters and can have no such separate value aside from the value of the land which contains them.

Applicant further claims that certain sums should be included in the rate base for a going-concern value and working capital.

Careful consideration has been given to all the proper elements which should be included in a rate base upon which to compute the interest return to be included in the annual charges for the purposes of this proceeding.

An analysis of the records of the company was submitted by Mr. George R. Kibbe, of this Commission's accounting department, which shows that the original cost of this property was $335,142.33. Owing to the fact that the early detailed records were not available, it was however, impossible to analyze the different accounts going to make up this sum. The same report states that the original promoters of the company subscribed some $92,000 in cash in 1860, and further shows that since 1860 there has been a total of retirements of only $28,751.86. The system constructed in 1860 has since been practically replaced by a new system, and indeed a very large portion of the system has been built since 1900. In other words, it appears that the total given above as the actual cost of the system is somewhat in excess of the actual historical cost of constructing the system as it now exists.

Mr. von Geldern states in his report, which was submitted as Applicant's Exhibit No. 2, that he had made an exhaustive examination of

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all the old vouchers available, and that from this examination and his knowledge of the cost of construction he had arrived at the conclusion contained in that report as the value of the physical properties of the plant. Furthermore, Mr. von Geldern states that there is evidently a far greater supply available from applicant's present wells than is sufficient for the present needs of the system, and that the physical plant is sufficient to supply from 8,000 to 10,000 people. There are now approximately 6000 people supplied with water. Thus this system is capable of supplying a materially greater number of people than at present.

Applicant has heretofore been including in its operating expenses the sum of $4,500 as a depreciation annuity. Mr. von Geldern reports the sum of $6,800 for this item. This sum was arrived at by the so-called straight line method of depreciation. The Commission's engineer estimates a replacement fund of $1,106 computed by the sinking fund method. It appears that this latter amount, if accumulated annually, will provide a fair sum for the replacement of the wornout properties when they require renewal, and it will be included in the annual charges established herein.

The following tabulation shows the maintenance and operation expenses and the revenue for the past three years, as compiled from applicant's annual reports to the Commission:

	1917	1918	1919
Total operating revenue	$38,721 25	$39,709 29	$39,657 05
Total nonoperative revenue from rents, etc.	3,087 52	3,800 00	4,192 65
Total maintenance and operation expense	20,813 96	22,714 76	25,068 24

The sum of $4,500 has been deducted from the above set out maintenance and operation expenses. This sum is the amount entered in the records of the company as the depreciation allowance. This replacement or depreciation annuity is discussed elsewhere herein. The nonoperative revenue shown is principally the income derived from rent of offices and stores in the company's buildings, and the cost of maintenance, taxes, etc., for these buildings is included in the total maintenance and operation expenses.

The records of this company relating to operating expenses have been examined and analyzed in detail, and evidence submitted concerning them by the Commission's auditing department and hydraulic engineers.

The evidence shows that although the company included in its capital investment the estimated value of its office buildings, it also included in operating expenses the sum of $1,200 per year as rental for the offices utilized by it in conducting its business. This is obviously a duplication, and should be eliminated.

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The increase in operating expenses for 1919 over previous years is largely due to increases in taxes and in the cost of electrical energy. Furthermore, very large increases have occurred during 1920, which will very materially increase future operating expenses. For example, the city of Marysville has recently increased this company's taxes by some $7,000 annually. There has been a 15 per cent increase in the rate for electrical energy, and a material increase in labor cost. The analysis of operating expenditures shows that some of the expenditures charged in various years to operating expenses are not such as recur annually. These are amortized over the period of their probable recurrence for the purposes of this proceeding and a fair sum is allowed.

After a careful consideration of all of the evidence relating to the value of this plant, the portion of the system utilized in serving the public, its total capacity, operating methods and practices, and such other conditions and facts as obtain, it appears that the following are fair and reasonable annual charges to be produced from the consumers:

Interest return	$24,000 00
Maintenance and operation expense	36,500 00
Replacement fund	1,106 00
Total	$61,606 00

The gross revenue for 1919 was $43,849, and it is therefore apparent that this applicant is entitled to a rate increase.

It now remains to so apportion this total expense among the consumers that each shall pay his equitable share in view of the service rendered to him.

The evidence shows the average daily per capita consumption for 1919 was 166 gallons, with a maximum of 270 in the summer, largely due to extensive irrigation of gardens and grounds. The unrestricted use and waste of water obtaining under the flat rate method of delivery in effect accounts for this large consumption. Approximately 84 per cent of the present revenue is derived from it. In this connection it is pointed out that a flat rate invariably tends to an excessive and wasteful use of a commodity, while a metered rate effects not only a conservation of the supply and an equitable distribution of the charges among the various users, but results in a saving in operation expenses; in this instance the saving would be chiefly in pumping costs. Therefore it is recommended that this utility proceed with some systematic plan for a complete metering of its system.

In computing the measured rate schedule established herein, consideration has been given to the increased capital expenditures necessary to install meters, and also to the probable saving in operating

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expenditures. The rate schedule in the accompanying order has been computed from a study and analysis of the present water use, and other available data, and is designed to produce the above total annual charges, deducting therefrom the nonoperating revenue.

It appears from a study of the present rate schedule that the city of Marysville has heretofore been paying practically nothing for service rendered to municipal buildings and for other municipal purposes, such as fire protection. It appears further that this company has actually designed its system to render fire protection service. It would be unfair to require the domestic consumers to bear the expense of this service which the city as a whole receives. Therefore a rate to be paid by the municipality has been included herein for this service.

ORDER.

The Marysville Water Company having applied to this Commission for an order authorizing it to increase its rates, a public hearing having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact, that the present rate schedule of the Marysville Water Company in so far as it differs from the schedule herein established, is unjust, unreasonable and unremunerative, and that the rates herein established are just and reasonable rates to be charged by said company for water.

And basing its order upon the foregoing findings of fact and the other statements of fact contained in the opinion preceding this order;

It is hereby ordered, by the Railroad Commission of the State of California, that the Marysville Water Company be and it is hereby authorized to file with the Railroad Commission within twenty (20) days of the date of this order, the following schedule of rates, said rates to be charged on all bills rendered on or subsequent to March 25, 1921, and be and become effective as of that date; provided, however, that the company may for convenience make the schedule herein established effective as to individual consumers at any time within twenty (20) days subsequent to the above effective date.

RATE SCHEDULE.

Measured use.

1. Minimum monthly payments:

For ¾-inch and ⅝-inch meters	$1 00
For 1 -inch meters	2 50
For 1½-inch meters	3 25
For 1½-inch meters	4 00
For 2 -inch meters	4 75
For 2½-inch meters	5 50
For 3 -inch meters	6 50

2. Monthly quantity rates:

For use between 0 and 1000 cubic feet	$0 25 per 100 cubic feet
For use between 1000 and 3000 cubic feet	0 18 per 100 cubic feet
Over 3000 cubic feet	0 12 per 100 cubic feet

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Public use.

1. For fire protection service, including water used solely for the extinguishment of fires, which may be drawn from not over 75 fire hydrants and the 19 fire cisterns, which latter fixtures are owned and maintained by the city, per month $200 00
   Additional for each hydrant over 75, per month 1 00
2. Water used for sprinkling roads and streets by the city or county, and flushing of sewers, by computed or measured quantity, per 100 cubic feet 12
3. All other use of water by the city or county, including municipal and county buildings and irrigation of parks and grounds, at the regular meter rates.

Monthly flat rates:

1. Residences and tenements of five rooms or less, occupied by a single family $1 40
   For each additional room 15
   Additional for each flush toilet or bath tub 25
   For each private garage where autos are washed on the premises 25
   For each private barn with not more than two horses or cows 65
   For each additional horse or cow 30
2. Private boarding houses, for each roomer or boarder, additional to the family rate 10
3. Sprinkling or irrigation of lawns, shrubbery, gardens, etc., payable every month in the year; up to 3000 square feet of surface actually watered, per 100 square feet 03
   Over 3000 square feet of surface actually watered, per 100 square feet 015
4. Restaurants and cafes, per unit of seating capacity 12
   Minimum charge 2 50
5. Offices: rooms in upper stories of buildings so occupied, for each room with water tap, except doctors' and dentists' offices 75
6. Doctors' and dentists' offices, not exceeding two rooms with water tap 2 00
   For each additional room with water tap 50
7. Drug stores 2 25
8. Photograph galleries, or where water is used for commercial developing and printing, in addition to the rate for store or premises 2 25
9. Barber shops, for single chair 1 75
   For each additional chair 75
10. Soda fountains, soft drink places, and ice cream or lunch parlors either alone or in connection with other business 2 00
11. Bakeries, butcher shops and retail markets 2 25
12. Livery and sales stables or stockyards, per average number of stock fed 35
    Minimum payment 3 00
13. Public garages, average six autos or less 3 50
    For each additional auto 30
14. Blacksmith, wagon and repair shops where water is used for cooling tires, etc. 2 25
15. Public halls, clubs or lodge rooms 1 75
    Additional for buffet in connection with 2 00
16. For ordinary stores and shops not otherwise listed, according to use of water ..... $1 00 to 4 00
17. For use of hose in front of stores and shops for washing windows and sprinkling sidewalks, streets, etc., according to frontage ..... $0 25 to 1 25
18. Living rooms in connection with stores or shops, additional to store rate 75
19. Additional for each toilet or bath tub in 5 to 16, inclusive 35
20. Bathing establishments, either alone or in connection with barber shops, for one public bath tub or shower 2 00
    For each additional bath tub or shower 60
21. Public drinking fountains in any place, each 1 00
22. Automatic or ordinary flush urinals, according to the use of water, each ..... $0 50 to 3 00
23. Building works:
    For mortar and to dampen brick, per 1000 brick 25

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For cement work and plastering, each barrel of cement or lime used.. 25

24. Water used by hotels, lodging houses and laundries and for all other purposes or establishments not herein specified to be charged for at meter rates.

25. Meters may be installed at the request of any consumer or at the option of the utility.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fourth day of March, 1921.

DECISION No. 8704.

IN THE MATTER OF THE APPLICATION OF EL DORADO WATER COMPANY, A CORPORATION, FOR AUTHORITY TO SELL TO THE CITY OF PLACERVILLE A PORTION OF ITS PLANT OR SYSTEM.

Application No. 6539.
Decided March 4, 1921.

BY THE COMMISSION.

ORDER.

This is a matter in which the El Dorado Water Company makes application to the Railroad Commission for authority to sell to the city of Placerville a small domestic water system more particularly described in an inventory and map attached to the application and made a part thereof. In connection with this matter the city of Placerville has filed with the Commission a certified copy of a resolution of said city, said resolution being designated "Resolution No. 5" and dated February 21, 1921, whereby the city of Placerville joins in the application herein, the agreed price at which said property shall be transferred being the sum of $2,000.

It appears that the present water system which supplies the city of Placerville is owned and operated by the city, and that it is therefore in position to efficiently and satisfactorily operate and maintain the distribution system referred to in the application, and it further appearing that no good and sufficient reason exists why this application should not be granted, and that this is not a matter in which a public hearing is necessary;

It is hereby ordered, that the above entitled application be and it is hereby granted, subject to the following conditions:

1. The property herein authorized to be sold shall be as described in the inventories designated as "High Pressure Pipe Line" and "Forni Pipe Line" and as indicated by the map attached to the application, and hereby referred to and made a part of this order.

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2. The authority herein granted to transfer property shall apply only to such transfer as shall have been consummated on or before June 1, 1921, and a certified copy of the instrument of conveyance shall be filed with the Railroad Commission by the said El Dorado Water Company within thirty (30) days from the date on which it is executed.

3. Within ten (10) days from the date on which El Dorado Water Company actually relinquishes control and possession of the property herein authorized to be sold, said company shall file with the Railroad Commission a statement indicating the date on which such control and possession were actually relinquished.

Dated at San Francisco, California, this fourth day of March, 1921.

DECISION No. 8705.

IN THE MATTER OF THE APPLICATION OF TOWN OF MARTINEZ, A MUNICIPAL CORPORATION, FOR PERMISSION TO BUY THE WATER DISTRIBUTING SYSTEM OF CONTRA COSTA REALTY COMPANY AND OF THE LATTER TO SELL THE SAME.

Application No. 6552.
Decided March 4, 1921.

BY THE COMMISSION.

ORDER.

The above entitled matter is a joint application brought by the town of Martinez and the Contra Costa Realty Company for authority to transfer certain public utility water properties located in the vicinity of the town of Martinez, more particularly described in "Exhibit A" attached to the application and made a part thereof.

Contra Costa Realty Company desires to retire from the business of supplying water to consumers in the vicinity of the town of Martinez, and therefore makes application for authority to sell its said properties, as above outlined, to the town of Martinez, and the town of Martinez has joined in said application and subscribed to all the facts and conditions as set out therein, requesting authority to purchase said public utility properties and operate same. The applicants herein have agreed that the properties involved represent a fair value of $4,019.49, but the consideration specified is the sum of one dollar.

It appearing to the Railroad Commission that this is not a matter in which a public hearing is necessary, and that the application should be granted;

It is hereby ordered, that the above entitled application be and it is hereby granted, subject to the following conditions:

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1. The property herein authorized to be sold is as described in "Appendix A" attached hereto and made a part hereof.

2. The authority herein granted to transfer property shall apply only to such conveyance as may have been made on or before June 1, 1921, and a certified copy of the instrument of conveyance shall be filed with the Commission by said Contra Costa Realty Company within thirty (30) days from the date on which it is executed.

3. Within ten (10) days from the date on which Contra Costa Realty Company actually relinquishes control and possession of the properties herein authorized to be sold, said company shall file with the Railroad Commission certified statement indicating the date on which such control and possession was relinquished.

Dated at San Francisco, California, this fourth day of March, 1921.

"Appendix A."

Description of property to be transferred under Application No. 6552 from Contra Costa Realty Company to town of Martinez:

1200 feet 4-inch pipe.
2485 feet 2-inch pipe.
4296 feet 1¼-inch pipe.
2957 feet 1¼-inch pipe.
730 feet 1-inch pipe.
6 saddles and fittings.
40 Neptune meters.
40 ¾-inch service cocks.

All mains, lines, services and connections of Contra Costa Realty Company's property near the town of Martinez, all of a cost in excess of $4,019.49.

DECISION NO. 8706.

IN THE MATTER OF THE APPLICATION OF TONOPAH AND TIDEWATER RAILROAD COMPANY, A CORPORATION, UNDER GENERAL ORDER NUMBER THIRTY-SIX FOR AN ORDER AUTHORIZING THE ABANDONMENT OF THE AGENCY AT TECOPA, CALIFORNIA.

Application No. 6534.
Decided March 4, 1921.

BY THE COMMISSION.

ORDER.

Tonopah and Tidewater Railroad Company, a corporation, has applied to the Railroad Commission for an order authorizing the abandonment of its agency station at Tecopa, Inyo County, California.

Applicant alleges that the nearest agency station south of Tecopa is at Silver Lake, a distance of 37.8 miles from Tecopa and that, provided authority is granted to abandon the agency station at Tecopa, it is proposed to open in lieu thereof an agency station at Shoshone 9.3 miles north of the present station of Tecopa. It is alleged that the

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principal shippers and receivers of freight at Tecopa are the Acme Cement and Plaster Company and the Tecopa Consolidated Mining Company, both of which industries are now closed, and it is uncertain as to when their operations will be resumed. Applicant proposes, if authorization is granted for the closing of Tecopa station, to maintain telephone connections with the proposed new station at Shoshone in order that shippers and receivers of freight may have connection with an agency of the company in the same maner as heretofore has existed as regards the agency station at Tecopa.

A record of the business transacted at Tecopa during the twelve months ending November 30, 1920, shows the following data:

	Revenue
Tickets sold (643)	$2,725 03
Freight received (805,890 pounds)	6,248 79
Freight forwarded (15,958,386 pounds)	46,755 34
	$55,729 16

Ore in carload lots constitutes the principal commodity forwarded and fuel oil in carload lots the principal commodity received, the majority of shipments having moved prior to the month of August, 1920.

Investigation with shippers and receivers of freight, conducted by the Commission, results in advice that there is no objection to the proposed closing of the agency at Tecopa provided another agency is opened at Shoshone and that conditions heretofore existing as regards facilities by which shippers and receivers of freight may telephone to the new agency be installed.

In view of the facts set forth in the application and those received by the Commission in accordance with its investigation, we are of the opinion that this is a matter in which a public hearing is not necessary and that the application should be granted.

It is hereby ordered, that Tonopah and Tidewater Railroad Company, a corporation, is hereby authorized to close its agency station at Tecopa upon the following conditions:

1. Prior to the closing of the station at Tecopa an agency station is to be established and opened to the public at Shoshone, 9.3 miles north of Tecopa.

2. Arrangements are to be made by applicant whereby telephone service will be available enabling shippers or receivers of freight to communicate with the proposed new station at Shoshone from Tecopa and from the nonagency station of Acme.

3. The authority hereby issued covers the discontinuance of an agency station at Tecopa, such station hereafter to be a nonagency station as regards the receipt and delivery of express and of carload and less than carload freight and to be a flag stop for the receipt and delivery of passengers.

Dated at San Francisco, California, this fourth day of March, 1921.

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DECISION NO. 8708.

IN THE MATTER OF THE APPLICATION OF C. M. BLABON AND J. R. CLEVELAND, FOR PERMISSION TO INCREASE FARES BETWEEN FRESNO AND SANTA CRUZ AND INTERMEDIATE POINTS.

Application No. 6162.

IN THE MATTER OF THE APPLICATION OF C. M. BLABON FOR PERMISSION TO INCREASE FARES BETWEEN SAN JOSE AND SANTA CRUZ AND INTERMEDIATE POINTS.

Application No. 6210.
Decided March 5, 1921.

AUTO STAGE LINES—RATE INCREASE—EVIDENCE.—In support of an application made by an auto stage company for permission to increase rates, it is incumbent upon the applicant to keep books showing his operating expenses and revenues so as to enable him to submit evidence of actual receipts and expenditures and not merely estimates of what he believes them to be. Applications to increase stage rates dismissed without prejudice to their renewal when applicants shall be in a position to submit data other than estimates of their revenues and expenses.

H. A. Encell, for Applicants.

BY THE COMMISSION.

OPINION.

In Application No. 6162, Messrs. C. M. Blabon and J. R. Cleveland, who, together, operate an automobile passenger stage service between Fresno and Santa Cruz, serving intermediate points, apply for authority to increase passenger fares. By Application No. 6210, C. M. Blabon, operating automobile passenger stage service between San Jose and Santa Cruz and intermediate points, seeks authority to increase passenger fares in that territory.

Public hearings upon both matters were held by Examiner Westover at Fresno and at San Francisco.

The service between Fresno and Santa Cruz is operated by the two applicants individually, each owning a seven-passenger car, used on the run. Mr. Blabon also owns a new Packard car which is held in reserve and operated by him when his car regularly on the run is out of service or is rented to Mr. Cleveland when the latter's car is out of service.

Mr. Blabon also operates a stage line between San Jose and Oakland as a member of the Peerless Stage Association, which is not involved in either of the above applications, as well as operating the line between San Jose and Santa Cruz, concerning which he seeks authority to increase rates in Application No. 6210. He also maintains a repair shop at Santa Cruz where all of the cars used on these three different runs and the car of Mr. Cleveland are repaired, and the expense is

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pro rated between Messrs. Blabon and Cleveland in proportion to the work done for each.

It appears from the testimony that neither of the applicants keeps a set of books nor any permanent record of either receipts or disbursements. A statement of gross passenger revenues was presented, based upon trip slips not placed in evidence, but no record of any kind was available to show actual cost of operation. Detailed statements, containing estimates of operating expenses, were presented in evidence, but they are admittedly only estimates.

In view of the fact that the operation of the line between Fresno and Santa Cruz is seasonal and that the amount of service furnished varies greatly during the season; that the proceeds of Mr. Blabon's three lines are kept in one fund and not segregated, and that no record of cost of operation by either applicant is available, we have found it impossible to determine the cost of operation or the effect of applying the proposed rates sought in the above applications.

Common carriers or public utilities seeking increases in rates must necessarily assume the burden of justifying, by competent and satisfying evidence, all increases in rates sought. We find it necessary to deny both applications, but without prejudice to the rights of applicants to present new applications when proper evidence is available.

ORDER.

Public hearings having been held upon both of the above entitled applications, the Commission being now fully advised in the premises;

It is hereby ordered that each of said applications, No. 6162 and No. 6210, be and they are hereby denied without prejudice.

Dated at San Francisco, California, this fifth day of March, 1921.

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DECISION NO. 8709.

R. D. ARNOLD ET AL.

vs.

SANTA BARBARA TELEPHONE COMPANY, A CORPORATION.

Case No. 1491.

Decided March 5, 1921.

TELEPHONE TOLL RATES—ELIMINATION OF.—A telephone utility will be directed to eliminate toll charges between two communities only upon a showing that a sufficient community interest exists between the two exchanges to warrant the Commission in removing such charge. Upon a showing that Goleta is not a self-sustaining community, but is both commercially and socially dependent upon Santa Barbara, defendant company directed to eliminate the toll charge of 10 cents at present charged for switching between the two exchanges.

Richards, Heaney and Price, by *Francis Price*, for Complainants.
Chickering and Gregory, by *Allen Chickering*, for Defendant.

BRUNDIGE, *Commissioner*.

OPINION.

Complainants allege that "the rates, tolls, charges and classifications demanded, observed, charged and collected" by the Santa Barbara Telephone Company "for telephone service between stations in * * * the Goleta exchange and the city of Santa Barbara * * * are unjust, unreasonable, discriminatory, preferential and are in violation of law and of the rules and orders of this Commission."

The rates charged for service between the Goleta and the Santa Barbara exchanges were authorized by this Commission in Decision No. 7542, dated May 5, 1920, and were made effective by the company after filing same with the Commission. In this decision the so-called "free switching" between the above named exchanges was eliminated and a charge of ten cents for an initial period of time was substituted therefor. This charge was the real issue between the complainants and the defendant.

It was agreed upon by all interested parties that the gross revenue, which the Commission's engineering department had estimated the company should receive from its entire system under the rates authorized in Decision No. 7542, should not be changed. Engineers for the Commission made a report showing the amount of revenue, after deducting cost of handling toll tickets, which was being derived from this toll charge and the rate adjustments which would be necessary to equal this amount if the Commission decided that the charge should be eliminated. This report was submitted to both the complainants and the defendant and after making slight changes they, in turn, submitted it to the subscribers who would be affected. This afforded

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all the consumers an opportunity to study the matter before a hearing was held.

The Commission was fully aware of the principle involved in this case and realized that the final determining factor would be whether or not there was sufficient community interest between these two exchanges to warrant it in removing this charge.

Nothing in this opinion and order shall be construed as a precedent whereby other communities desiring "free switching" with other exchanges may demand such service unless they can prove that a sufficient community interest exists to justify this change.

A hearing was held in Santa Barbara on February 26, 1921. Testimony was introduced by witnesses from both Goleta and Santa Barbara which, in my opinion, proved conclusively that Goleta is not a self-sustaining community, but in fact is commercially and socially dependent on Santa Barbara. There were no objections made to the changes in rates which would be necessary if "free switching" was again restored even though, as stated above, each subscriber had the opportunity of knowing how this would affect him individually.

It is my opinion that the facts in this case warrant the elimination of the toll charge between the Goleta and Santa Barbara exchanges and I recommend that the following changes in rates be made:

EXCHANGE STATION RATES.

Exchange			Business				Residence		
Santa Barbara & Montecito	Main line	Two party	Sub-urban	Exten-sions	Main line	Two party	Four party	Sub-urban	Exten-sions
Present	$3 50	$2 75	$3 00	$1 00	$2 50	$2 00	$1 75	$2 50	$1 00
Proposed	3 75	3 00	3 00	1 00	2 50	2 00	1 75	2 50	1 00
Goleta									
Present	2 50	2 00	3 00	1 00	2 00	1 75	1 50	2 50	1 00
Proposed	3 75	3 00	3 00	1 00	2 50	2 00	1 75	2 50	1 00

NOTE 1.—All of the above rates are for wall telephones. Desk sets are 25 cents per month extra for all classes of service, except extensions.

NOTE 2.—The rate for private branch exchange trunks will be increased slightly by this proposed change since the rates now on file for all business, private branch exchanges read "First bothway trunk line individual business rate plus $2.00" and "Each additional bothway trunk line rate for first bothway trunk line, less 25 per cent."

Toll rates.

The toll charge between Goleta, Santa Barbara and Montecito should be eliminated.

It was the consensus of opinion of all parties present that the Goleta and Santa Barbara subscribers would not abuse the privilege of "free switching" between these exchanges by holding unnecessarily long or frequent conversations and it is my opinion that if any flagrant violation of this privilege occurs it should be called to the Commission's attention for such action as it may see fit to take.

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ORDER.

A considerable number of subscribers receiving telephone service from the Goleta exchange of the Santa Barbara Telephone Company having complained to the Commission regarding the rates between Goleta and Santa Barbara exchanges now being charged by the above named company, and a public hearing having been held in the city of Santa Barbara on February 26, 1921, the Commission finds that a sufficient community interest exists between these two exchanges to warrant the elimination of the toll charge between them and that the rates as proposed in the opinion will give the company the required gross revenue and at the same time are just and reasonable to the consumers;

It is hereby ordered, that on and after April 1, 1921, the Santa Barbara Telephone Company shall eliminate the toll charges between the Goleta exchange and the Santa Barbara exchange and substitute therefor the so-called "free switching" between these exchanges.

It is hereby further ordered, that on or before April 1, 1921, the company shall have ready for use sufficient facilities to handle expeditiously the increased volume of traffic after "free switching" is instituted.

It is hereby further ordered, that within six (6) months of the date of this order the company shall have installed and in operation a common battery switchboard in the Goleta exchange in order that more efficient and more satisfactory trunking may be accomplished between these two exchanges.

It is hereby further ordered, that within twenty (20) days of the date of this order the company is authorized to file with this Commission a revised schedule of exchange rates as set forth in the foregoing opinion which, upon approval, may be made effective.

It is hereby further ordered, that within twenty (20) days of the date of this order the company shall file with this Commission a revised schedule of toll rates as set forth in the foregoing opinion.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, this fifth day of March, 1921.

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DECISION No. 8710.

IN THE MATTER OF THE APPLICATION OF HERCULES WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO INCREASE ITS RATES.

Application No. 5679.
Decided March 5, 1921.

WATER RATES—UTILITY CONSTRUCTED FOR SPECIAL SERVICE.—Domestic consumers of a water utility will not be required to pay rates which will provide a full return upon the value of the system when such water plant was constructed by a powder manufacturing company primarily with a view to affording adequate fire protection to its factories and is considerably overbuilt as regards the service of water for domestic purposes.

Pillsbury, Madison and Sutro, by *Milton T. Farmer*, *M. P. Madison* and *E. M. Prince*, for Applicant.

BY THE COMMISSION.

OPINION.

Hercules Water Company, applicant herein, is a corporation engaged in the business of supplying water as a public utility to consumers in the towns of Hercules and Pinole and adjacent territory within the county of Contra Costa. In this proceeding said company makes application for authority to increase its rates, alleging in effect that the present rates do not provide sufficient revenue to yield operating expenses, depreciation, and a reasonable return upon the investment.

A public hearing was held in this matter before Examiner Satterwhite in Richmond, and an adjourned hearing was held in San Francisco. All interested parties were duly notified and given an opportunity to be present and be heard.

Hercules Water Company pumps a portion of its water supply from its own wells and purchases the remainder from East Bay Water Company. The company's wells are located near the town of San Pablo, from which wells the water is pumped through approximately 5.6 miles of castiron pipe into a ten-million-gallon concrete reservoir at Hercules. A large part of the water supply is now purchased from the East Bay Water Company at a connection near the San Pablo wells, for which the contract rate of 10 cents per thousand gallons is paid. During six months of the year water is also obtained from Pinole Creek, from which it is pumped into a concrete reservoir situated near the town of Pinole. Through faulty design and construction, however, this reservoir can not be used to its full capacity.

It appears that Hercules Water Company was organized and incorporated by the Hercules Powder Company in 1902 for the purpose of insuring its powder works an ample and adequate supply of water both for industrial use and fire protection, and that incidental thereto the business of furnishing water to other consumers in that vicinity was developed.

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Mr. M. R. MacKall, one of the Commission's hydraulic engineers, made a field investigation of the properties of applicant and at the hearing submitted a report and appraisement of the properties of said company devoted to water use. No objections were made to the appraisal as submitted, which showed an estimated original cost of $200,206, with an allowance for an annual replacement fund of $1,349 computed by the sinking fund method.

An estimated annual allowance of $17,572 was made for maintenance and operation expenses of this system. A consideration of the evidence, however, leads to the conclusion that the amount allowed for the purchase of water was insufficient, and it is believed that the allowance for operating expenses should therefore be increased to $18,572, which amount will more nearly approximate the future operating conditions.

The total annual charges, based upon the above figures, are summarized as follows:

Interest on $200,206 at 8 per cent	$16,016 00
Annual replacement fund	1,349 00
Maintenance and operation expense	18,572 00
Total	$35,937 00

The rates now charged by applicant were fixed by the boards of trustees of the towns of Pinole and Hercules, and the revenues for 1919 were $33,474. Applicant is now serving 425 consumers, 414 being domestic, of which 250 are metered. The Hercules Powder Company uses more than 75 per cent of the total water consumed and because of the inflammable nature of the powder company's product, a very complete high pressure fire system has been installed, with an unusual number of fire hydrants for a system of this size, especially in and about the town of Hercules.

Inasmuch as this system was built and is maintained primarily for a highly specialized service, which inures to the benefit of one particular consumer, it would not be fair to burden the remaining consumers with rates which would yield a full return upon the entire investment. Furthermore, the evidence clearly shows that the system has a much larger capacity than is necessary to serve present consumers. The rates established in the following order have therefore been apportioned in such manner as to eliminate any discriminations which may have existed in the past, charge to each class of consumers a rate which is reasonable for the service rendered, produce maintenance and operation expenses, provide an annual replacement fund and yield a return upon the investment which is fair to the company under existing circumstances.

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ORDER.

Hercules Water Company having made application to the Railroad Commission as entitled above, a public hearing having been held and the Commission being fully apprised in the matter:

It is hereby found as a fact, that the rates now charged by Hercules Water Company for water supplied to its consumers, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates for such service.

And basing its order upon the foregoing finding of fact, and upon the statements of fact contained in the preceding opinion;

It is hereby ordered, by the Railroad Commission of the State of California, that Hercules Water Company be and it is hereby directed to file with the Railroad Commission within twenty (20) days of the date of this order, the following schedule of rates, said rates to be charged for all water delivered to its consumers on and after April 1, 1921, and be and become effective as of that date:

FLAT RATES.

Residences, per month	$1 25
Fire hydrants.	
One outlet, per year	3 00
Two outlets, per year	6 00
(All other uses at metered rates.)	

METER RATES.

Readiness-to-serve charges.	
Domestic service, per month	50
Hercules Powder Company, per month	100 00
Quantity rates.	
0 to 300 cubic feet, per month per 100 cubic feet	25
Over 300 cubic feet, per month per 100 cubic feet	20

It is hereby further ordered, that Hercules Water Company be and it is hereby directed to file with the Railroad Commission within twenty (20) days from the date of this order, for its approval, rules and regulations governing the distribution of water to its consumers, said rules to become effective on their approval by this Commission.

Dated at San Francisco, California, this fifth day of March, 1921.

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DECISION NO. 8716.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF BONDS.

Application No. 6572.
Decided March 9, 1921.

Applicant authorized to issue $7,000,000 face value of 7 per cent unifying and refunding mortgage bonds and to sell $2,000,000 face value thereof at not less than 94½, the proceeds thereof to be used for the purposes of discharging $2,000,000 face value of debentures now outstanding, and to sell the balance of $5,000,000 at not less than 92½, the proceeds to be used to discharge indebtedness secured by first and refunding mortgage bonds and for additions and betterments to its system.

Murray Bourne, for Applicant.

MARTIN, *Commissioner*.

OPINION.

San Joaquin Light and Power Corporation asks permission to execute a unifying and refunding mortgage, to issue and sell $7,000,000 face value of unifying and refunding mortgage bonds and to issue and deposit with the trustee under the unifying and refunding mortgage $5,000,000 face value of its first and refunding mortgage Series "C" 6 per cent bonds.

On August 1, 1910, applicant executed a mortgage to secure the payment of $25,000,000 of first and refunding mortgage bonds. Of these bonds $18,603,000 have been issued or are reserved to retire underlying bonds, leaving only $6,397,000 face value of bonds available for sale at this time. Mr. A. E. Peat, treasurer and comptroller of San Joaquin Light and Power Corporation, testified that the money needed by applicant for constructing new plants and additions and betterments during the current year is in excess of any possible amount that might be realized from the sale of $6,397,000 of first and refunding mortgage bonds. Rather than sell the first and refunding mortgage bonds to meet present needs and thereafter execute a unifying and refunding mortgage, applicant has concluded to execute now a new mortgage and not sell any more of its first and refunding mortgage bonds. The new mortgage is to be a direct lien, subject to existing liens, on all of the properties of San Joaquin Light and Power Corporation now owned or hereafter acquired. The bonds to be issued under the new mortgage are to be further secured by the deposit with the trustee under the new mortgage of the unissued first and refunding mortgage bonds, if the issue and deposit of such bonds is authorized by the Railroad Commission. While no copy of the new mortgage has been filed, it is agreed that it shall contain a provision permitting the issue of bonds at par for 75 per cent of the cost of extensions, better-

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ments or additions to properties, when the net earnings of the company applicable to interest on all bonds outstanding and those for which certification may be requested, for twelve months out of the preceding fourteen months, shall have been not less than one and three-quarter times the amount of such interest. A final order can be made in this proceeding only after there has been filed with the Commission, in satisfactory form, a complete copy of the new mortgage.

Applicant has outstanding $2,000,000 of 6 per cent debentures. These were issued under an agreement which requires the company to pay the debentures when it places a new mortgage upon its properties. To enable it to redeem the debentures, applicant asks permission to sell $2,000,000 of 7 per cent unifying and refunding bonds. Of the $2,000,000 of bonds, $400,000 are to mature annually in one, two, three, four and five years. The $2,000,000 of bonds have been sold at 94½ and accrued interest. These bonds can not and should not be refunded through the issue of new bonds secured by the unifying and refunding mortgage. They must be paid out of the company's surplus earnings or through moneys obtained from the sale of stock or some form of security other than the unifying and refunding mortgage bonds.

In Exhibit "A", applicant reports actual or estimated expenditures for plant extensions, additions and betterments amounting to $7,023,751.01, which have not been financed through the issue of either bonds or stock. Applicant during 1920 completed a 50,000 horsepower hydroelectric plant (Kerckhoff plant) on the San Joaquin River and installed a 12,500-k.v.a. unit at its Bakersfield steam electric generating plant. Applicant is now engaged in building a 12,500-k.v.a. steam electric generating plant (Midway steam plant) near Buttonwillow at an estimated cost of $1,654,850 and rebuilding and enlarging its Kern Canyon hydroelectric plant at a net estimated cost of $857,000. The two amounts are included in the $7,023,751.01. The $7,023,751.01 also includes $1,327,034.15, which applicant estimates it must expend during the current year for transmission, distribution and general construction made necessary by the normal increase of its business. Applicant is not in a position to furnish the Commission with specific information as to the purposes for which it will expend the $1,327,034.15. It is expected that such money, as well as other expenditures herein authorized, will be used for the purpose of acquiring or constructing only such properties as will constitute a part of fixed capital as defined by the Commission's classification of accounts for electric corporations.

To finance in part the $7,023,751.01 of expenditures, applicant asks permission to issue and sell $5,000,000 face value of 7 per cent 30-year unifying and refunding mortgage bonds. These bonds have been sold

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by applicant, subject to their issue being authorized by the Railroad Commission, at 92½ and accrued interest.

Applicant reports as of December 31, 1920, $11,000,000 of common, $6,500,000 of 6 per cent preferred and $1,240,000 of 7 per cent prior preferred stock outstanding. Applicant's funded indebtedness on December 31, 1920 in the hands of the public is reported at $20,168,000. In addition, applicant on December 31, 1920, reports $2,332,681.34 of accounts and $2,258,997.18 of notes payable. Only to the extent that this current indebtedness is offset by expenditures for plant extensions, additions and betterments will applicant be permitted to use the proceeds from the sale of bonds to pay current indebtedness.

For 1920, applicant reports gross earnings of $4,340,905.71. After paying expenses including taxes, applicant reports available for depreciation, interest, amortization of discount, sinking fund, dividends and surplus, the amount of $2,373,449.42. Of this amount, applicant used for depreciation, interest, amortization and sinking fund $1,364,071.14, leaving for dividends and surplus the sum of $1,009,378.23.

By Decision No. 8668, the Commission authorized applicant to deposit $2,375,000 of first and refunding mortgage bonds to secure short time loans. This authorization was granted with the understanding that the proceeds from the sale of the bonds herein permitted will be used to pay the loans. This the Commission expects to be done. Upon the payment of such loans, the $2,375,000 of first and refunding mortgage bonds shall be delivered to the trustee under the unifying and refunding mortgage. The $2,375,000 of bonds are a part of the $5,000,000 of first and refunding mortgage bonds which applicant asks permission to deposit with the trustee under the unifying and refunding mortgage. The issue and deposit of $2,625,000 of such bonds may be covered by supplemental order after applicant has made a satisfactory showing justifying the issue of the bonds.

I herewith submit the following form of order:

ORDER.

San Joaquin Light and Power Corporation having applied to the Railroad Commission for permission to execute a new mortgage, issue and deposit with the trustee under the new mortgage $5,000,000 of first and refunding mortgage bonds and to sell $7,000,000 of unifying and refunding mortgage bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue and sale of the $7,000,000 of bonds is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes herein specified are not in whole or in part reasonably chargeable to operating expenses or to income;

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It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to issue $7,000,000 face value of 7 per cent unifying and refunding mortgage bonds.

It is hereby further ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to deposit with the trustee under the proposed unifying and refunding mortgage, if the execution of such mortgage is hereafter authorized by the Commission, the $2,375,000 of first and refunding mortgage bonds, the issue of which was authorized by the Commission in Decision No. 8668. The authority to issue and deposit the remaining $2,625,000 of first and refunding mortgage bonds, referred to in this application, will be held in abeyance until such time as applicant has made a satisfactory showing justifying the issue of such bonds.

The authority herein granted is subject to the following conditions:

1. Two million dollars face value of the unifying and refunding mortgage bonds herein authorized to be issued shall be sold by applicant, for cash, at not less than 94½ per cent and accrued interest.

2. Five million dollars of unifying and refunding mortgage bonds herein authorized to be issued shall be sold by applicant, for cash, at not less than 92½ per cent and accrued interest.

3. All proceeds realized from the sale of the bonds, or interim certificates, shall be deposited with the trustee and not expended until the Commission has authorized applicant to execute a unifying and refunding mortgage.

4. Upon receiving authority from the Commission to execute a unifying and refunding mortgage, the proceeds from the sale of the bonds herein authorized to be issued, shall be used by applicant for the following purposes:

(*a*) To pay the loans secured by the $2,375,000 of first and refunding mortgage bonds, the issue of which was authorized by Decision No. 8668.

(*b*) To pay in part the $2,000,000 of debentures referred to in the foregoing opinion, the proceeds permitted to be used for this purpose being limited to the proceeds realized from the sale of the $2,000,000 of serial bonds at 94½ and accrued interest.

(*c*) The remainder of the proceeds shall be used to finance in part the expenditures reported in Exhibit "B" filed in this application, provided the expenditures so financed represent fixed capital, as defined by the Commission in its classification of accounts for electric corporations.

5. San Joaquin Light and Power Corporation shall keep such record of the issue, deposit and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the

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Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

7. The authority herein granted will apply only to such bonds as may be issued, sold and delivered on or before November 15, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of March, 1921.

DECISION No. 8721.

MARY ANNIE UPTON ET AL.

vs.

AMOS H. STINSON ET AL.

Case No. 1465.

Decided March 9, 1921.

JURISDICTION—EXTENSIONS—WATER SERVICE.—The Railroad Commission has no jurisdiction to compel a water utility to extend its service to prospective consumers who reside outside of the area to which the water of the utility has been dedicated. Complaint to compel extension of service dismissed.

A. H. Upton, for Complainants.

Edgar T. Zook, for Defendants.

BY THE COMMISSION.

OPINION ON PETITION FOR REHEARING.

Defendants petition for a rehearing in the above entitled case upon the ground that the testimony does not warrant a finding that defendants or their predecessors in interest have dedicated all their waters to use to all the public residing in the vicinity of the lands of defendants at Stinson Beach, Marin County.

A public hearing upon the petition was held by Examiner Westover at San Francisco. The parties submitted further testimony and argument after stipulation that such further testimony and argument could be considered as addressed to the petition for rehearing, and also as in the determination of the rehearing if the Commission should conclude that defendants' petition for rehearing should be granted. The matter is, therefore, ready for final decision.

Defendants are owners of Stinson ranch and the unsold portions of subdivisions 1, 2 and 3 thereof, and of a parcel of ground known as Willow Camp which adjoins the Charles Robinson property, owned by complainant Mary Annie Upton. The stream which supplies water for

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defendants' properties flows through Mrs. Upton's Charles Robinson tract.

Prior to 1871, when all of the above properties were acquired by Nathan H. Stinson, his grantor had conveyed an adjoining parcel of ground containing three and one-half acres, herein referred to as the Jordan property. At the time Mr. Stinson acquired the above property, water was being diverted from a stream on the ranch for use for a house and barn on the Jordan property. Water was used at the barn for filling a barrel used for watering horses on the property, but not used as a public watering trough. The parties hereto agree that for the purposes of this record the use of water upon the Jordan property is presumed to have been established by a prior grant. They also agree that the use of such water was not paid for to Stinson, nor to his estate after his death in 1910. However, in 1916 or 1917 defendants authorized the tenant upon the Jordan property to take water from their main in Buena Vista street in Subdivision 2, whereupon he laid a pipe so connecting the house and barn, and abandoned the original service from the stream. Since that time, water service for the house and barn on the Jordan property has been paid for at the regular rates. The Jordan barn and a small strip of the Jordan property are admittedly included in the Charles Robinson tract. Defendants do not serve water beyond the lines of their subdivisions and Willow Camp referred to in the original decision, except for the service to the house and barn on the Jordan property. The only service by defendants within the lines of the Charles Robinson tract is the service at the Jordan barn.

The general policy of defendants and their predecessor, Nathan H. Stinson, has been to restrict water service to their own lands or purchasers of such lands, and to keep the rates low, as an aid in the sale of lands. Their chief interest has been in the land business rather than the water business. Quit claim deeds have been executed and exchanged between the owners of the Robinson tract and the owners of the Stinson ranch and subdivisions for the purpose of quieting and strengthening their respective titles, but these deeds contain no reference to water or water service.

Upon the above facts, the defendants admit that they operate a public utility and have dedicated water to public use upon property sold from their subdivision and to the house and barn on the Jordan property, but argue that the dedication is limited to those specific areas.

Upon a careful consideration of all the facts now before us and of the law applicable thereto, as declared by the Supreme Court, we conclude that the position of defendants is correct, and that the order complained of should be set aside.

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ORDER.

A public hearing having been held upon the above described petition for rehearing, the matter having been submitted, and the Commission being now fully advised in the premises;

It is hereby ordered, that the order contained in Decision No. 8170 of October 1, 1920, in above Case No. 1465, be and it is hereby vacated and set aside, and that the complaint herein be and the same is dismissed.

Dated at San Francisco, California, this ninth day of March, 1921.

DECISION NO. 8723.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA-OREGON POWER COMPANY, OF THE CALIFORNIA OREGON POWER COMPANY, AND OF W. I. BROBECK, J. W. CHURCHILL, J. A. DONOHOE, J. D. GRANT, C. DE GUIGNE, A. S. HOLMES, JOSEPH HYMAN, I. KAHN, J. HENRY MEYER, JOHN D. McKEE AND A. J. ROSBOROUGH, AS A BONDHOLDERS' COMMITTEE OF CALIFORNIA-OREGON POWER COMPANY FOR AUTHORIZATION TO ISSUE STOCKS AND BONDS AND TAKE PROCEEDINGS PURSUANT TO A PLAN AND AGREEMENT RELATING TO THE REORGANIZATION OF CALIFORNIA-OREGON POWER COMPANY.

Application No. 6512.
Decided March 10, 1921.

In connection with plan of reorganization of applicant, the Commission authorizes California-Oregon Power Company to transfer all of its properties to The California Oregon Power Company and the latter to issue $2,220,000 of 7 per cent preferred stock and $4,440,000 par value of common stock, to be delivered to bondholders' committee, to be exchanged at the rate of $500 of preferred and $1,000 of common for each $1,000 bond of the California-Oregon Power Company.

Morrison, Dunne and Brobeck, by *Herman Phleger*, for Applicants.

MARTIN, *Commissioner*.

OPINION.

This application involves the transfer and partial refinancing of the properties of California-Oregon Power Company. Applicant asks the Railroad Commission to make an order authorizing the sale and transfer of the properties described in Exhibit "5" filed in this proceeding to The California Oregon Power Company and permitting The California Oregon Power Company to issue $2,220,000 of 7 per cent preferred stock and $4,440,000 of common stock for the purposes hereinafter indicated.

California-Oregon Power Company was organized on or about December 15, 1911. The company owns and operates hydroelectric generating plants, electric transmission and distributing systems in California and Oregon, and also owns and operates water plants at

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Dunsmuir, California, and Klamath Falls, Oregon. Its electric generating plants are reported to have a generating capacity of 23,445 k. v. a. The output of the plants for 1920 is reported at 142,404,975 kilowatt hours. The number of electric consumers in California is reported at 2614, in Oregon at 6211, making a total of 8825. At Dunsmuir, the company during 1920 had 557, and at Klamath Falls, 1141 water consumers.

For 1918, 1919 and 1920, California-Oregon Power Company reports operating revenues, expenses, accruals and other disbursements as follows:

Item	1918	1919	1920
Operating revenues	$498,978 82	$724,418 88	$943,406 88
Operating expenses	370,248 80	452,156 20	534,275 74
Net operating revenue	$128,730 02	$272,262 68	$409,131 14
Other income	3,290 23	1,660 42	4,870 19
Gross corporate income	$132,020 25	$273,923 10	$414,001 33
Deductions from gross corporate income:			
Uncollectible bills	$4,901 57	$6,018 79	$7,051 86
Interest accrued on funded debt	284,800 00	284,800 00	364,027 61
Other interest accrued	13,674 91	23,942 86	29,998 72
Miscellaneous			11 52
Total deductions	$303,376 48	$314,761 65	$401,084 71
Surplus for year	*$171,356 23	*$40,838 55	$12,916 62

*Loss.

The sale of electrical energy during part of 1919 and 1920 and the completion of additional generating plants is partially responsible for the increase in the company's operating revenues.

In this Commission's Decision No. 6484, dated July 10, 1919, it appears that the engineering department of the Commission estimated the historical cost of the properties of California-Oregon Power Company located in California at $4,297,799 as of December 31, 1918. Since that date the company reports that it has expended for plant extensions, additions and betterments, less retirements, the sum of $157,656.27 and estimates the value of its water plant and properties at Dunsmuir to be in excess of $113,986, making a grand total of $4,569,441.27, for California properties.

The Public Utilities Commission of the State of Oregon fixed the value of the operative properties of California-Oregon Power Company, located in Oregon, as of December 31, 1916, at $2,651,674. The company reports that its net expenditures for additions and betterments to its Oregon properties from December 31, 1916 to November 30, 1920, amount to $304,047.43, and that its non-operative properties located in Oregon as of November 30, 1920, add a value of $167,908.14. The total of the figures just mentioned amounts to $3,123,629.57, which

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added to the California properties, makes a grand total of $7,693,070.84.

California-Oregon Power Company has $8,283,000 of common stock outstanding. At the time of its organization, the company issued $10,000,000 of common stock. In order to avoid the payment of assessments, stockholders have surrendered stock in the amount of $1,717,000, leaving, as said, $8,283,000 of common stock outstanding. Assessments in the amount of $538,230 have been collected.

California-Oregon Power Company, as of December 31, 1920, reports indebtedness as follows:

California-Oregon Power Company bonds in hands of public	$4,442,000 00
Underlying bonds	1,151,000 00
Notes payable	283,263 96
Accounts payable	623,773 28
Interest accrued	1,410,252 97
Service bills in advance and advance accounts	32,206 54
Total	$7,942,496 75

California-Oregon Power Company has not paid the interest coupons due July 1, 1915 attached to California-Oregon Power Company bonds, nor has it paid any subsequent coupons attached to said bonds. The nonpayment of these interest coupons accounts primarily for the large amount of interest accrued. The interest on the underlying bonds has been regularly paid.

The record shows that the reorganization of the affairs of California-Oregon Power Company is necessary for the reason that the company has been unable (1), to pay coupon interest on its outstanding bonds beginning with the coupons dated July 1, 1915, (2), to make the sinking fund payments under the provisions of the deed of trust executed by California-Oregon Power Company due May 1, 1917, (3), to secure additional capital necessary for replacements, extensions and betterments.

A copy of the reorganization plan under which it is intended to refinance the properties of California-Oregon Power Company has been filed in this proceeding and marked Exhibit "4". The plan affects only the $4,442,000 of bonds issued by California-Oregon Power Company and the interest coupons attached thereto. All of these bonds except two ($2,000 face value) have been deposited with the reorganization committee. To carry the reorganization plan into effect, there has been organized The California Oregon Power Company with an authorized stock issue of $15,000,000, divided into $7,500,000 of 7 per cent nonassessable preferred stock and $7,500,000 of common stock. It is proposed to issue $2,220,000 of preferred stock and $4,440,000 of the common stock in exchange for the $4,440,000 of California-Oregon Power Company bonds and unpaid interest coupons deposited with the reorganization committee. The $2,000 of bonds not deposited will

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be paid in cash. If the plan is carried out, there will be outstanding against a property costing or valued at $7,693,070.84, the following stock, bonds or other indebtedness:

Common stock	$4,440,000 00
Preferred stock	2,220,000 00
Bonds	1,151,000 00
Other indebtedness	939,243 78
Total stock, bonds and indebtedness	$8,750,243 78

Against the same properties, there is now outstanding $16,225,496.75 of stock, bonds and other indebtedness. The amount of outstanding stock, bonds and other indebtedness is through the reorganization plan reduced to $7,475,252.97.

In application No. 6512, The California Oregon Power Company, the new company, asks permission to issue and sell $1,849,000 of bonds at 95 and accrued interest and use $824,900 to pay current indebtedness of California-Oregon Power Company, the payment of which will be assumed by The California Oregon Power Company, the new company. To realize $824,900 the new company will have to sell approximately $868,000 of bonds. If this is done, the bonded debt of the properties upon the reorganization plan being consummated, will be $2,019,000 and the current indebtedness approximately $114,100, making a total of $2,133,100, contrasted with a present total debt of $7,942,496.75. The reduction in indebtedness on the properties, upon the above assumptions, will amount to $5,819,396.75. The outstanding stock will be reduced by $1,683,000.

The Commission expects applicant to file a detailed statement showing all reorganization expenses.

I herewith submit the following form of order:

ORDER.

Application having been made for permission to sell and transfer the properties of California-Oregon Power Company, described in Exhibit "5" filed in this proceeding, and The California Oregon Power Company having applied for permission to issue $6,660,000 of stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of stock is reasonably required by The California Oregon Power Company;

It is hereby ordered, that California-Oregon Power Company be and it is hereby authorized to sell and transfer, directly or indirectly, to The California Oregon Power Company its properties described in Exhibit "5" filed in this proceeding, and The California Oregon Power Company is hereby authorized to purchase said properties, said sale and purchase to be made in accordance with the terms and conditions of said Exhibit "5".

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It is hereby further ordered, that The California Oregon Power Company be and it is hereby authorized to issue $2,220,000 of 7 per cent preferred stock and $4,440,000 of common stock, said shares of stock to be delivered to the bondholders' committee of California-Oregon Power Company and by said committee delivered to the depositors of bonds under the bondholders' deposit agreement on the basis of $500 par value of preferred and $1,000 par value of common stock for each $1,000 face value of California-Oregon Power Company 5 per cent bonds deposited under the bondholders' deposit agreement, together with all unpaid coupons thereof maturing on and after July 1, 1915. Upon the exchange of said bonds for stock and the payment of the bonds not deposited under the bondholders' deposit agreement, or satisfactory arrangements having been made for the payment of such bonds, the mortgage or deed of trust of California-Oregon Power Company, dated January 1, 1912, securing the payment of the bonds shall be discharged of record.

It is hereby further ordered, that the plan of reorganization, applicants' Exhibit "4", be and it is hereby authorized and approved to the extent indicated in this order, such authorization and approval being limited to the extent that affirmative authorization and approval is herein given.

The authority herein granted is subject to the following conditions:

1. The issue of the stock herein authorized, or any authority herein granted, shall not be interpreted as a finding of value of the properties herein authorized to be transferred for the purpose of fixing rates or for any purpose other than the transfer herein permitted.

2. The California Oregon Power Company shall file with the Commission within a reasonable time a copy of all of the book entries relative to the transfer and acquisition of the properties, the sale and transfer of which is herein permitted.

3. The California Oregon Power Company shall file with the Commission a verified copy of the deed under which it acquires and holds title to said properties, such deed to be filed within thirty days after its execution.

4. The California Oregon Power Company shall file with the Commission a statement showing in detail all reorganization expenses.

5. The California Oregon Power Company shall file with the Commission the names of those parties to whom the stock herein authorized will be delivered, or has been delivered by the bondholders' committee, and the number of shares of common or preferred delivered to each such person. The filing of this information will relieve the company

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from filing the usual reports under the Commission's General Order No. 24, such information being called for in lieu of such reports.

6. The authority herein granted will apply only to such stock as may be issued and delivered on or before October 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of March, 1921.

DECISION No. 8724.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, AND MOUNT SHASTA POWER CORPORATION, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING THE EXECUTION OF A MORTGAGE AND THE ISSUANCE OF BONDS.

First Supplemental Application No. 6387.
Decided March 10, 1921.

William B. Bosley and *C. P. Cutten*, for Applicants.

DEVLIN, *Commissioner*.

FIRST SUPPLEMENTAL OPINION.

On December 20, 1920, the Railroad Commission by Decision No. 8446 authorized Pacific Gas and Electric Company to issue and sell at 93½ and accrued interest $10,000,000 face value of 7 per cent 20-year bonds, or interim certificates of a like amount.

Condition "1" of the order in Decision No. 8446 reads:

"The authority herein granted (referring to Decision No. 8446) to issue bonds shall not become effective until the Commission has by supplemental order authorized the execution of a mortgage or deed of trust securing the payment of the bonds."

A copy of the proposed mortgage or deed of trust has been filed in this proceeding and marked Exhibit "F." The proposed mortgage or deed of trust will be a lien on the properties of Pacific Gas and Electric Company and on the properties of the Mount Shasta Power Corporation. All of the outstanding stock of the latter company is owned by the Pacific Gas and Electric Company.

It is of course understood, and applicant's representatives are in agreement with this, that the authority to execute the mortgage or deed of trust in no way commits the Commission to fix rates or to take any other action to enable applicants to comply with the terms and provisions of said mortgage or deed of trust. The issue of bonds under said mortgage or deed of trust, other than the $10,000,000 of bonds covered by Decision No. 8446, as well as the issue of general and refunding bonds referred to in said mortgage or deed of trust, are matters which

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must be determined in subsequent proceedings and will be determined in accordance with the facts then presented regardless of the authority herein granted to execute a mortgage or deed of trust.

Applicants have sold $10,000,000 of interim certificates at 93½ and accrued interest. The proceeds from the sale of these interim certificates are deposited with trustees. Authority will be herein granted to the Pacific Gas and Electric Company to issue in exchange for the interim certificates $10,000,000 of its first and refunding mortgage 7 per cent 20-year gold bonds. Applicants agree that they will expend none of the proceeds except for such purposes as the Commission may hereafter authorize.

I herewith submit the following form of order:

FIRST SUPPLEMENTAL ORDER.

Pacific Gas and Electric Company and Mount Shasta Power Corporation having applied to the Railroad Commission for permission to execute a mortgage or deed of trust and issue and exchange bonds for interim certificates sold under the authority granted in Decision No. 8446, a public hearing having been held and the Commission having considered applicants' request;

It is hereby ordered, that Pacific Gas and Electric Company and Mount Shasta Power Corporation be and they are hereby authorized to execute a mortgage or deed of trust substantially in the same form as the mortgage or deed of trust filed in this proceeding and marked Exhibit "F," provided that the approval herein given of said mortgage or deed of trust is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which said mortgage or deed of trust may be subject.

It is hereby further ordered, that Pacific Gas and Electric Company may execute, issue and deliver in exchange for interim certificates sold under the authority granted in Decision No. 8446, dated December 20, 1920, $10,000,000 of its first and refunding mortgage 7 per cent 20-year gold bonds, said bonds to be sold for not less than 93½ per cent of their face value and accrued interest and all proceeds held on deposit in a bank or banks in a special account until the expenditures of said proceeds, or any part thereof, is authorized by the Railroad Commission.

It is hereby further ordered, that the order in Decision No. 8446, dated December 20, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

The foregoing first supplemental opinion and first supplemental order are hereby approved and ordered filed as the first supplemental opinion and first supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of March, 1921.

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DECISION NO. 8729.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE EXECUTION OF A MORTGAGE TO SECURE AN ISSUE OF FIVE MILLION DOLLARS OF GENERAL LIEN BONDS, THE SALE OF TWO MILLION FIVE HUNDRED THOUSAND DOLLARS OF SAID GENERAL LIEN BONDS AND THE HYPOTHECATION OF TWO MILLION FIVE HUNDRED THOUSAND DOLLARS OF FIRST AND REFUNDING BONDS.

Application No. 6526.
Decided March 10, 1921.

Chaffee E. Hall, for Applicant.

DEVLIN, *Commissioner*.

OPINION.

Great Western Power Company of California asks permission to execute a mortgage upon all of its properties to secure the payment of an authorized issue of $5,000,000 face amount of general lien convertible 8 per cent bonds, dated February 1, 1921, due March 1, 1936; to issue and sell $2,500,000 of said bonds at 94 and accrued interest, and to issue and pledge, upon a proper showing being made, Series "B" 7 per cent first and refunding mortgage sinking fund bonds in an amount equivalent to the issued general lien bonds as additional security for the payment of the general lien bonds. The company also asks permission to exchange the first and refunding mortgage bonds so pledged for general lien bonds when the latter are called for redemption on the basis of 105 and accrued interest for general lien bonds at par and accrued interest. If any such change is affected, applicant will pay the premium in cash.

The Commission is also asked to authorize and approve the agreement between applicant and E. H. Rollins and Sons covering the sale of $2,500,000 of general lien bonds. The agreement contains some provisions which are to be incorporated in the new mortgage or trust deed and recite that the trust deed shall contain the usual terms and provisions satisfactory to E. H. Rollins and Sons. No complete copy of the mortgage or trust deed has been filed with the Commission. It should be evident that the Commission can not authorize the execution of a mortgage or trust deed by being furnished only with some of the provisions of such mortgage or trust deed. It should be said in this connection that applicant does not ask the Commission for an order at this time authorizing the execution of its proposed mortgage or trust deed, but it does ask the Commission to authorize an agreement which contains a provision that such mortgage or trust deed shall be satisfactory to E. H. Rollins and Sons. For the reason that applicant has not submitted a complete copy of its proposed mortgage or trust

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deed, the Commission will not at this time authorize or approve the agreement between applicant and E. H. Rollins and Sons in all its particulars. It will authorize or approve such agreement only to the extent that affirmative action is herein taken authorizing the issue and sale of $2,500,000 of 8 per cent general lien mortgage bonds dated May 1, 1921, due February 1, 1936, at 94 and accrued interest.

For the reason that applicant has made no showing on which an order authorizing the issue and deposit of Series "B" first and refunding bonds might be based, the Commission will not at this time authorize the issue and deposit of said Series "B" first and refunding mortgage bonds. The issue and deposit of such bonds may be brought to the attention of the Commission in some subsequent proceeding.

Applicant is engaged in constructing a new hydroelectric plant (Caribou development) on the north fork of the Feather River, and in building a second transmission line. Exhibits filed in this proceeding show that applicant estimates the cost of the plant at $12,828,420 and estimates the cost of the transmission line at $2,646,900, making a total of $15,475,320. According to applicant's report, there has been expended on the plant or there have been commitments incurred on account of constructing the plant, up to January 1, 1921, the sum of $10,191,493.18, while the expenditures on the transmission line up to January 1, 1921, are reported at $2,214,498.11, making a total of $12,405,991.29. There is being installed in the plant equipment having a generating capacity of 40,000 kilowatts. One unit having a generating capacity of 20,000 kilowatts is expected to be in operation on April 15, the other unit of similar capacity by July 15.

For the years ending December 31, 1919, and December 31, 1920, applicant reports operating revenues, expenses and other accruals and disbursements as follows:

Item	1920	1919
Operating revenues	$5,805,702 98	$5,055,755 00
Operating expenses	2,906,076 82	2,471,128 00
Net operating revenues	$2,899,626 16	$2,584,627 00
Miscellaneous rent revenues	38,025 00	
Interest and dividend revenue	641,032 75	
Gross corporate income	$3,578,683 91	$2,584,627 00
Deduct:		
Uncollectible bills	15,000 00	9,000 00
Rent expenses	22,921 02	22,067 00
Nonoperating taxes	3,645 37	
Interest on funded debt	1,901,197 05	1,658,395 36
Other interest	97,048 07	21,582 21
Rent deductions	270,563 43	
Amortization of debt discount	100,150 29	15,000 00
Total deductions	$2,419,525 24	$1,726,644 57
Surplus for year	$1,159,158 67	$857,982 43

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As of December 31, 1920, applicant reports $27,500,000 of common stock, $1,916,084.21 of 7 per cent preferred stock and $39,618,800 of funded debt outstanding. In addition, applicant reports $2,321,335.79 of notes and $1,035,344.88 of accounts payable.

Applicant asks permission to use the proceeds from the sale of the $2,500,000 of general lien bonds to finance in part the cost of its hydroelectric plant (Caribou development) and second transmission line.

I herewith submit the following form of order:

ORDER.

Great Western Power Company of California having applied to the Railroad Commission for permission to execute a mortgage or trust deed and issue $2,500,000 of general lien convertible 8 per cent bonds, and when a proper showing is made to issue and deposit as collateral $2,500,000 of series "B" first and refunding bonds, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the $2,500,000 of general lien convertible bonds is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Great Western Power Company of California be and it is hereby authorized to issue $2,500,000 of its general lien convertible 8 per cent gold bonds.

It is hereby further ordered, that the above entitled application, in so far as it relates to the issue of Series "B" first and refunding mortgage sinking fund gold bonds, be and it is hereby dismissed without prejudice, for the reason set forth in the foregoing opinion.

The authority herein granted is subject to the following conditions:

1. The $2,500,000 of general lien convertible bonds shall be sold, for cash, at not less than 94 and accrued interest.

2. Until such time as the Commission has authorized the execution of a mortgage or trust deed securing the payment of said $2,500,000 of general lien convertible bonds, all proceeds realized from the sale of the bonds or interim receipts or certificates shall be deposited with a trustee or trustees under a proper escrow agreement. Upon the execution of the mortgage or trust deed and the issue and delivery of bonds thereunder, the proceeds may be used to finance in part the cost of applicant's hydroelectric plant and appurtenances (Caribou development) and its second transmission line referred to in this application.

3. The agreement between applicant and E. H. Rollins and Sons, applicant's Exhibit "C," is authorized and approved to the extent

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indicated in this order, such authorization and approval, however, being limited to the extent that affirmative authorization and approval is herein given.

4. Great Western Power Company of California shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted will apply only to such bonds as may be issued, sold and delivered on or before September 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of March, 1921.

DECISION NO. 8731.

IN THE MATTER OF THE APPLICATION OF THE CALIFORNIA OREGON POWER COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING THE ISSUANCE OF BONDS, THE EXECUTION OF A MORTGAGE OR DEED OF TRUST TO SECURE THE SAME, AND THE EXECUTION AND DELIVERY OF TEMPORARY CERTIFICATES TO BE THEREAFTER EXCHANGED FOR SAID BONDS.

Application No. 6574.
Decided March 10, 1921.

Applicant, recently organized to take over the properties of California-Oregon Power Company, is authorized to issue and sell at not less than 95, $1,849,000 face value of 7½ per cent first and refunding bonds of interim certificates and to use the proceeds thereof for the purposes of discharging notes and accounts payable and for additions and betterments to plant. Application for permission to issue and deliver $1,151,000 face value of bonds for the purposes of discharging underlying issues dismissed without prejudice.

Morrison, Dunne and Brobeck, by *Herman Phleger*, for Applicant.

MARTIN, *Commissioner*.

OPINION.

The California Oregon Power Company asks permission to execute a mortgage, to execute and deliver $3,000,000 of its first and refunding mortgage sinking fund gold bonds, of which $1,151,000 will be reserved to retire a like amount of underlying bonds and to issue and sell at 95 per cent of their face value $1,849,000 of temporary certificates to be exchanged for a like amount of applicant's first and refunding mortgage sinking fund 7½ per cent gold bonds.

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In Application No. 6512, applicant asks permission to issue stock; acquire the properties of California-Oregon Power Company and assume the liabilities of that company other than $4,442,000 of outstanding bonds issued by California-Oregon Power Company. It is proposed that the bonds issued by California-Oregon Power Company, and unpaid interest coupons attached thereto, will be exchanged for stock of applicant. The issue of such stock is covered by the order in Application No. 6512.

Applicant has filed with the Commission a copy of its proposed mortgage. The testimony, however, shows that certain changes may be made in the proposed mortgage and that a revised copy will hereafter be filed. The effective date of this order, in so far as it relates to the issue and delivery of bonds, will be postponed until the Commission has authorized the execution of a mortgage securing the payment of the bonds.

Applicant asks permission to execute and deliver under the new mortgage not exceeding $3,000,000 of bonds. Of the $3,000,000 face amount of bonds, $1,849,000 are to be exchanged for interim certificates which applicant asks permission to sell and the remaining $1,151,000 reserved to retire underlying bonds. No satisfactory showing has been made on which the Commission can base an order authorizing the issue of the $1,151,000 of bonds.

Bonds in the amount of $1,849,000 have been sold by applicant at 95 and accrued interest, subject, among others, to the condition that the issue and sale of these bonds are authorized by the Railroad Commission. Pending the issue and delivery of the bonds, applicant intends to issue interim certificates.

Applicant asks permission to use the proceeds from the sale of the $1,849,000 of bonds for the following purposes:

Pay indebtedness		$824,900 00
Pay off interconnection advance	$481,900 00	
Notes payable	268,000 00	
Vouchers payable	75,000 00	
Expend for new construction		932,650 00
This money to be used for the following:		
1. To complete the Link River Dam and make provisions for storage in the Upper Klamath Lake	$400,000 00	
2. To install a power plant on Link River to utilize present water rights and provide immediately needed power, approximately	300,000 00	
3. Additions to and betterments of the transmission and distribution systems of the company in 1921, estimated at $300,000, $145,000 of which will come from depreciation reserve and sinking fund, approximately	155,000 00	
4. Engineering and preliminary work at prospect and engineering and construction at Copco necessary toward the installation of the second unit in an enlargement of the Copco power station, and reorganization expense, approximately	77,650 00	
Total		$1,757,550 00

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During 1918 and 1919, the lines of the Northern California Power Company, Consolidated, now the property of Pacific Gas and Electric Company, and those of California-Oregon Power Company were interconnected. The balance due on the cost of this interconnection is reported at $481,900.

Applicant has not filed with the Commission a statement of its reorganization expenses. The order will provide that no part of the proceeds from the sale of the bonds be used to pay such expenses until a detailed statement has been filed and the payment of these expenses authorized by the Commission.

I herewith submit the following form of order:

ORDER.

The California Oregon Power Company having applied to the Railroad Commission for permission to execute a mortgage, to execute and deliver $3,000,000 in bonds and to issue and sell $1,849,000 of said bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the $1,849,000 of bonds is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income:

It is hereby ordered, that The California Oregon Power Company be and it is hereby authorized to issue and sell at not less than 95 per cent of their face value and accrued interest, $1,849,000 of interim certificates and exchange such interim certificates for $1,849,000 of first and refunding sinking fund 7½ per cent gold bonds, the issue of which bonds is hereby authorized.

It is hereby further ordered, that this application, in so far as it relates to the execution and delivery of $1,151,000 of bonds, is dismissed without prejudice.

The authority herein granted is subject to the following conditions:

1. None of the $1,849,000 of bonds shall be issued and delivered until the Commission by supplemental order has authorized the execution of a mortgage or trust deed securing the payment of said bonds. Pending the delivery of said bonds, all moneys received from the sale of the interim certificates or from the sale of bonds, shall be deposited with a trustee or trustees under a proper escrow agreement, and after being released, expended only for such purposes as the Commission may authorize in a supplemental order or orders.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

3. The California Oregon Power Company shall keep such record of the issue and sale of the interim certificates or bonds herein authorized and of the disposition of the proceeds as will enable it to file on or

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before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4 The authority herein granted will apply only to such interim certificates or bonds as may be issued, sold and delivered on or before October 15, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of March, 1921.

DECISION No. 8732.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, AND MOUNT SHASTA POWER CORPORATION, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING SAID PACIFIC GAS AND ELECTRIC COMPANY TO SELL AND CONVEY AND SAID MOUNT SHASTA POWER CORPORATION TO PURCHASE AND ACQUIRE ALL OF THE PROPERTY HEREINAFTER IN THIS PETITION PARTICULARLY DESCRIBED.

Application No. 6601.
Decided March 11, 1921.

William B. Bosley and *C. P. Cutten*, for Applicants.

DEVLIN, *Commissioner*.

OPINION.

This application involves the sale of certain properties described in Exhibit "1," attached hereto, by Pacific Gas and Electric Company and the purchase of said properties by Mount Shasta Power Corporation.

Pacific Gas and Electric Company owns all of the outstanding stock of Mount Shasta Power Corporation. Heretofore, under authority granted by the Commission, Pacific Gas and Electric Company acquired the properties of Northern California Power Company, Consolidated. Applicants report that prior to the acquisition of the properties of Northern California Power Company, Consolidated, by the Pacific Gas and Electric Company, the Northern California Power Company, Consolidated, expended $156,025.16 in the acquisition and construction of properties along and appurtenant to the Pit River. Applicants believe it to be in the public interest, as well as in their interest, that all of the lands, rights, easements and properties to be used and useful in the construction, completion and operation of proposed power plants on the Pit River should be owned and possessed by the Mount Shasta Power Corporation. It is the intention of applicants that all such plants be

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built by the Mount Shasta Power Corporation and none constructed by the Pacific Gas and Electric Company.

Applicants were unable to advise the Commission whether all or only a part of the properties referred to in this application will be used by the Mount Shasta Power Corporation. If it is hereafter decided to abandon any of the properties or not proceed with the construction work begun by the Northern California Power Company, Consolidated, proper adjustments must be made on the books of Mount Shasta Power Corporation. Such adjustments can, of course, be made as readily on the books of the Mount Shasta Power Corporation as on the books of the Pacific Gas and Electric Company were the properties not transferred.

I herewith submit the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for authority to sell and transfer and Mount Shasta Power Corporation to purchase for $156,025.16 the properties described in Exhibit "1" attached hereto, a public hearing having been held and the Railroad Commission being of the opinion that applicants' request should be granted subject to the conditions of this order;

It is hereby ordered, that Pacific Gas and Electric Company be and it is hereby authorized to sell and Mount Shasta Power Corporation to purchase at a cost of $156,025.16 the properties described in Exhibit "1" attached hereto, said sale and purchase to be made in accordance with the agreement of sale, Exhibit "C," filed in this proceeding, provided:

1. That the authority herein granted will not be interpreted as a finding of value of said properties for any purpose other than the transfer herein permitted;

2. That Mount Shasta Power Corporation will file with the Commission a verified copy of the deed under which it secures and holds title to the properties which Pacific Gas and Electric Company is herein authorized to sell and Mount Shasta Power Corporation to purchase, such deed to be filed within thirty (30) days after its execution.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of March, 1921.

EXHIBIT No. 1.

The properties which Pacific Gas and Electric Company asks permission to sell and transfer to Mount Shasta Power Corporation and which it is authorized to sell and transfer to said Mount Shasta Power Corpo-

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ration, by the order which precedes this Exhibit No. 1, are described in Exhibit "D," filed in this proceeding, as follows:

1 All of those certain parcels of land, rights and easements, which were granted to Northern California Power Company, Consolidated, in and by a certain deed bearing date the 29th day of September, 1911, executed by Central Pacific Railway Company and United States Trust Company of New York, and recorded in the office of the County Recorder of said County of Shasta, in Volume 111 of Deeds, at page 502;

2. All of that certain parcel of land, which was granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 4th day of November, 1911, executed by Santa Fe Pacific Railroad Company, and recorded in the office of said County Recorder, in Volume 111 of Deeds, at page 486;

3. All of those certain parcels of land, which were granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 20th day of May, 1919, executed by J. H. Stutt, and recorded in the office of said County Recorder, in Volume 134 of Deeds, at page 118;

4. All of that certain parcel of land, which was granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 18th day of April, 1912, executed by E. V. D. Johnson, and recorded in the office of said County Recorder, in Volume 112 of Deeds, at page 163; and in and by a certain deed bearing date the 23d day of March, 1914, executed to said Northern California Power Company, Consolidated, by said E. V. D. Johnson, and recorded in the office of said County Recorder, in Volume 128 of Deeds, at page 85;

5. All of those certain parcels of land, rights and easements, which were granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 7th day of August, 1912, executed by Hank Healy, Walter Moody and Jerry Moody, and recorded in the office of said County Recorder, in Volume 139 of Deeds, at page 372;

6. All of those certain parcels of land, rights and easements, which were granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 25th day of April, 1912, executed by Mrs. Caroline Morse, and recorded in the office of said County Recorder, in Volume 113 of Deeds, at page 392;

7. All of those certain parcels of land, rights and easements, which were granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 25th day of April, 1912, executed by D. J. Waters, and recorded in the office of said County Recorder, in Volume 113 of Deeds, at page 377;

8. All of those certain parcels of land, rights and easements, which were granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 24th day of October, 1912, executed by M. P. Shadley, and recorded in the office of said County Recorder, in Volume 115 of Deeds, at page 195;

9. All of that certain parcel of land, and the rights and easements, which were granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 6th day of August, 1912, executed by William Hulsey, and recorded in the office of said County Recorder, in Volume 115 of Deeds, at page 389;

10. All of that certain parcel of land, and the rights and easements, which were granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 28th day of April, 1912, executed by J. H. Betty, and recorded in the office of said County Recorder, in Volume 113 of Deeds, at page 390;

11. All of the rights which were granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 30th day of October, 1911, executed by D. J. Waters, and recorded in the office of said County Recorder, in Volume 111 of Deeds, at page 545;

12. All of the rights which were granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 30th day of October, 1911, executed by T. J. Henderson, and recorded in the office of said County Recorder, in Volume 111 of Deeds, at page 548;

13. All of the rights which were granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 30th day of October, 1911, executed by Roy Hays and R. B. Hays, and recorded in the office of said County Recorder, in Volume 111 of Deeds, at page 547;

14. All of the rights which were granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 30th day of

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October, 1911, executed by Victor Holm and John Holm, and recorded in the office of said County Recorder, in Volume 111 of Deeds, at page 546;

15. All of the rights which were granted to said Northern California Power Company, Consolidated, in and by a certain instrument bearing date the 11th day of October, 1911, executed by Central Pacific Railway Company, and recorded in the office of said County Recorder, in Volume 111 of Deeds, at page 506;

16. All of the rights which were granted to said Northern California Power Company, Consolidated, in and by a certain deed bearing date the 25th day of November, 1910, executed by J. H. Stutt, and recorded in the office of said County Recorder, in Volume 111 of Deeds, at page 544;

17. All and singular the rights which said Pacific Gas and Electric Company acquired from said Northern California Power Company, Consolidated, to appropriate, divert and use the waters flowing, and to flow, in Pit River, above, that is, upstream from, the place where said Pit River flows out of Section 15, in Township 35 North, Range 1 West, M. D. B. & M.;

18. All and singular the rights, titles, interests and estates which said Pacific Gas and Electric Company heretofore acquired from said Northern California Power Company, Consolidated, in and to all lands riparian to said Pit River, above, that is, upstream from, the place where said Pit River flows out of Section 15, in Township 35 North, Range 1 West, M. D. B. & M.

Together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining, and the rents, issues and profits thereof.

To have and to hold, unto said party of the second part, its successors and assigns forever, subject to the lien of the second installment of taxes for the fiscal year commencing July 1, 1920.

DECISION NO. 8733.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING APPLICANT TO EXECUTE, ACKNOWLEDGE AND DELIVER TO THE UNION TRUST COMPANY OF SAN FRANCISCO, AS TRUSTEE, A DEED IN FORM SUBSTANTIALLY AS SET FORTH IN THIS PETITION FOR THE PURPOSE OF SUBJECTING CERTAIN PROPERTIES TO THE LIEN OF ITS SUPPLEMENTARY MORTGAGE DATED NOVEMBER 1, 1907.

Application No. 6602.
Decided March 11, 1921.

William B. Bosley and *C. P. Cutten*, for Applicant.

DEVLIN, *Commissioner*.

ORDER.

Pacific Gas and Electric Company having asked permission to execute, acknowledge and deliver to the Union Trust Company of San Francisco, as trustee, a deed substantially in the form of the deed filed in this proceeding and marked Exhibit "B," for the purpose of conveying to said Union Trust Company of San Francisco, as trustee, all of the properties, rights and franchises which applicant acquired in the latter part of the year 1911 from the San Francisco Gas and Electric Company, together with all extensions of, additions to and betterments

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upon said properties, with the exception of said parts or parcels thereof as have subsequently been sold, conveyed or otherwise disposed of, a public hearing having been held and it appearing that applicant desires permission to execute said proposed deed for the purpose of affording additional security to the holders of the unifying and refunding mortgage 5 per cent 30-year gold bonds of the California Gas and Electric Corporation (the payment of which bonds, together with the interest thereon, has been assumed by Pacific Gas and Electric Company) and to give greater uniformity to the present financial structure of applicant prior to the issue and sale of bonds under its proposed first and refunding mortgage;

And the Commission being of the opinion that applicant's request should be granted;

It is hereby ordered, that Pacific Gas and Electric Company be and it is hereby authorized to execute, acknowledge and deliver to the Union Trust Company of San Francisco, as trustee, a deed substantially in the form of the deed filed in this proceeding and marked Exhibit "B," provided that the approval herein given of said deed is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said deed as to such other legal requirements to which said deed may be subject.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of March, 1921.

DECISION No. 8736.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR AN ORDER AUTHORIZING THE ISSUANCE AND SALE OF BONDS IN THE AMOUNT OF FOUR HUNDRED THOUSAND DOLLARS, PAR VALUE.

Application No. 6616.
Decided March 14, 1921.

Paul Overton, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Los Angeles Gas and Electric Corporation asks permission to issue and sell at not less than 90 per cent of their face value and accrued interest $400,000 of its first and refunding mortgage 5 per cent gold bonds due September 1, 1939.

In Exhibit "C" filed in this proceeding, applicant reports that from May 26, 1920, to September 30, 1920, it expended for permanent plant

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extensions, additions and betterments and improvements the sum of $630,707.31. To pay for such extensions, additions, betterments and improvements applicant drew upon its reserve for accrued depreciation to the extent of $97,373.98 and paid the balance, $533,333.33 from accumulated surplus earnings. Under the provisions of its first and refunding mortgage, applicant may issue bonds to an amount or amounts in par value not exceeding in the aggregate 75 per cent of the actual and reasonable cash expenditures made for permanent extensions and additions of and to its plants, properties and equipment. For the purpose of reimbursing in part its treasury because of surplus earnings invested in permanent plant extensions, additions, betterments and improvements, applicant asks permission to issue $400,000 of its first and refunding bonds.

I herewith submit the following form of order:

ORDER.

Los Angeles Gas and Electric Corporation, having applied to the Railroad Commission for permission to issue $400,000 of bonds, a public hearing having been held, and the Commission being of the opinion that the moneys, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Los Angeles Gas and Electric Corporation be and it is hereby granted authority to issue and sell at not less than 90 per cent of their face value plus accrued interest, $400,000 of its first and refunding mortgage 5 per cent gold bonds due September 1, 1939, for the purpose of reimbursing in part its treasury because of surplus earnings expended to pay for permanent plant extensions, additions, betterments and improvements, provided:

(1) That the authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act, and

(2) That applicant will keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fourteenth day of March, 1921.

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DECISION NO. 8737.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR AN ORDER AUTHORIZING THE ISSUANCE AND SALE OF BONDS IN THE AMOUNT OF TWO MILLION FIVE HUNDRED THOUSAND DOLLARS, PAR VALUE.

Application No. 6617.
Decided March 14, 1921.

JURISDICTION—BONDED INDEBTEDNESS—INCREASES IN.—A public utility may increase its authorized bonded indebtedness without securing permission from the Railroad Commission, but it can not sell or otherwise dispose of any bonds or execute a mortgage to secure the payment of such bonds without authorization of this Commission.

Application authorized to issue and sell at not less than 94½, $2,500,000 face value of its five-year 7 per cent first and refunding mortgage bonds, proceeds to be used to reimburse applicant's treasury for money heretofore expended from income for proper capital purposes, provided that none of such bonds shall be issued until the mortgage securing same has been approved by the Commission.

Paul Overton, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Los Angeles Gas and Electric Corporation asks permission to increase its authorized bonded indebtedness from $18,000,000 to $75,000,000, to execute a general and refunding mortgage to secure the payment of an authorized bond issue of $75,000,000, to issue and sell under said mortgage $2,500,000 of Series "A" five-year 7 per cent bonds due March 1, 1926, to issue and sell pending the issue and delivery of said bonds temporary certificates and to use the proceeds from the sale of the bonds to reimburse its treasury and pay construction expenditures incurred or to be incurred during 1921.

Applicant may increase its authorized bonded indebtedness without securing permission from the Railroad Commission, but it can not sell or otherwise dispose of any bonds or execute a mortgage to secure the payment of such bonds without permission from the Railroad Commission.

Applicant reports that it needs and requires funds for the reimbursement of its treasury because of moneys expended from income, and to enable it to make necessary additions and extensions to its plants and properties and enlarge and extend its facilities to meet the growing demand of its business. In Exhibit "D," filed in this proceeding, applicant reports its estimated expenditures for plant extensions, additions and betterments during 1921. A summary of the exhibit shows that applicant estimates such expenditures as follows:

Gas works	$3,444,780 00
Electric works	557,250 00
Gas distributing system	1,806,875 00
Electric distributing system	355,575 00
Miscellaneous	414,840 00
Total	$6,579,320 00

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Heretofore the Railroad Commission has authorized applicant to issue and sell at not less than $85 per share $3,000,000 (30,000 shares) of 6 per cent cumulative preferred stock and use the proceeds to pay in part the cost of the plant extensions, additions, betterments and improvements reported in Exhibit "D." While applicant in this proceeding asks permission to issue the $2,500,000 of bonds for the purpose of reimbursing its treasury, the record shows that applicant intends to use, and the order herein will require it to use, all the proceeds obtained from the sale of the bonds to pay the cost of new construction.

Under its first and refunding mortgage, applicant can issue only 5 per cent bonds. On account of present market conditions, these bonds would have to be sold at a considerable discount. Moreover, the amount of uncertified bonds under applicant's first and refunding mortgage and available for new construction, may be insufficient to meet applicant's needs during the current and following year. Applicant's board of directors and officers have therefore concluded to submit to applicant's stockholders the proposition of increasing applicant's bonded debt from an authorized issue of $18,000,000 to $75,000,000. A meeting of the stockholders has been called for April 27, 1921. Applicant reports that it has sold the $2,500,000 of 7 per cent bonds which it asks permission to issue subject to their issue being authorized by the Railroad Commission. No copy of the new mortgage securing the payment of such bonds has as yet been filed with the Commission. The order herein will provide that no bonds may be issued or delivered until the Commission, by supplemental order, has authorized applicant to execute a mortgage securing the payment of the bonds.

Applicant asks permission to issue and sell certificates for subscription to $2,500,000 of its Series "A" five-year 7 per cent bonds. Pending the issue and delivery of the bonds, the certificates provide that all moneys obtained from their sale will be deposited with trustees and held by such trustees until the bonds are ready for delivery. If the bonds are not delivered by August 1, 1921, the holders of the certificates upon presenting such certificates to the trustees can demand the return of the amounts paid for the certificates.

I herewith submit the following form of order:

ORDER.

Los Angeles Gas and Electric Corporation having applied to the Railroad Commission for permission to execute a mortgage, to issue and sell $2,500,000 of Series "A" five-year 7 per cent general and refunding mortgage bonds and pending such sale, certificates for subscriptions to said bonds, a public hearing having been held and the

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Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Los Angeles Gas and Electric Corporation be and it is hereby authorized to issue and sell, for cash, at not less than 94½ per cent of their face value and accrued interest, $2,500,000 of Series "A" five-year 7 per cent general and refunding mortgage bonds due March 1, 1926, and pending the issue and delivery of said bonds, issue, sell and deliver certificates for subscription to said bonds, said certificates to be sold, for cash, at not less than 94½ per cent of their face value and accrued interest.

The authority herein granted is subject to the following conditions:

1. All proceeds obtained from the sale of the certificates herein authorized to be issued and sold, shall be deposited with a trustee or trustees and held in accordance with the terms of certificates of subscription filed in this proceeding, until such time as the Railroad Commission has authorized applicant to execute a mortgage to secure the payment of its proposed general and refunding mortgage bonds. Upon the execution of the mortgage and the delivery of the bonds, the proceeds obtained from the sale of the certificates of subscription, or from the sale of the bonds, may be used to reimburse applicant's treasury, provided that all of said proceeds be thereafter used to finance expenditures reported in Exhibit "D" filed in this proceeding, or for such other purposes as the Railroad Commission may hereafter authorize.

2. None of the bonds herein authorized to be issued and sold shall be delivered until the Commission has, by supplemental order in this proceeding, authorized Los Angeles Gas and Electric Corporation to execute a mortgage or trust deed securing the payment of said bonds.

3. Los Angeles Gas and Electric Corporation shall keep such record of the issue and sale of the certificates of subscription or bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such certificates of subscription or bonds as may be issued, sold and delivered on or before October 15, 1921.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fourteenth day of March, 1921.

DECISION NO. 8738.

IN THE MATTER OF THE APPLICATION OF FRESNO CITY WATER CORPORATION, FOR AUTHORITY TO RENEW A CERTAIN NOTE.

Application No. 6475.

Decided March 14, 1921.

A. E. Peat, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Fresno City Water Corporation in this application asks permission to renew for a term of one year or less a $10,000 note payable to Merchants National Bank of San Francisco. The note which applicant intends to renew bears interest at the rate of 7 per cent per annum and was payable January 16, 1921.

The record shows that the $10,000 obtained through the issue of the note was used to pay for permanent plant extensions, additions and betterments.

I herewith submit the following form of order:

ORDER.

Fresno City Water Corporation having applied to the Railroad Commission for permission to issue a note, a public hearing having been held and the Commission being of the opinion that the $10,000 obtainable through the issue of the note herein authorized is reasonably required by applicant and that the expenditure of the moneys is not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Fresno City Water Corporation be and it is hereby authorized to issue for a term of one (1) year or less a $10,000 note bearing interest at not exceeding 7 per cent per annum for the purpose of paying or refunding the $10,000 note now held by the Merchants National Bank of San Francisco and referred to in this application.

The authority herein granted is subject to further conditions as follows:

1. Applicant may, if it so desires, issue the note herein authorized for a term of less than one year from the date of this order or from the

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date of the maturity of the note to be refunded, and renew said note from time to time, provided that the combined terms of the note herein authorized and those issued in renewal thereof, shall not exceed one year from the date of the first note issued under the authority herein granted.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

3. Applicant shall file with the Railroad Commission a statement such as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fourteenth day of March, 1921.

DECISION No. 8745.

IN THE MATTER OF THE APPLICATION OF THE CITY OF REDDING TO FIX THE JUST COMPENSATION TO BE PAID BY THE CITY OF REDDING TO NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, FOR ITS PROPERTY OWNED AND USED BY IT IN SAID CITY FOR THE PURPOSE OF DISTRIBUTION OF ELECTRIC ENERGY IN SAID CITY.

Application No. 3718.

Decided March 14, 1921.

JURISDICTION—JOINT USE OF POLES—SEVERANCE DAMAGES.—The Railroad Commission has no jurisdiction to compel an electric utility and a municipality to enter into an agreement for the joint use of poles and in fixing severance damages must allow a sum sufficient to cover cost of new construction when parties interested do not desire to enter into such an agreement. Order made increasing severance damages heretofore allowed from $623 to $3,531.90 and reference made to stipulation whereby the company reserves the right to serve its own office and shops in the city of Redding with electric energy.

BY THE COMMISSION.

FIRST SUPPLEMENTAL OPINION AND ORDER.

In its opinion and order on rehearing rendered herein on January 14, 1921, the Commission discussed at length the principles of valuation involved in this proceeding. It is not intended in this supplemental opinion and order to deal further with such questions. It has been brought to the attention of the Commission, however, that the sum stated as severance damage, and also certain features of the description of the property sought to be acquired as set forth in the findings and order contained in Decision No. 8542 rendered January 14, 1921, should be corrected. The importance of the correctness of our findings is apparent

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when it is considered that in a proceeding of this character the Commission's jurisdiction terminates upon the filing of a condemnation suit by the municipality seeking to acquire the property in the manner contemplated by the Public Utilities Act.

For the purpose of making such correction in the findings and order, the Commission gave due notice of a hearing for the consideration of such proposed changes and of a petition for rehearing which had been filed herein by the Northern California Power Company, Consolidated, and the Pacific Gas and Electric Company on January 25, 1921. This hearing was held on March 12, 1921, before Examiner Gordon.

At one of the first prior hearings in this proceeding it was pointed out that the city sought to acquire all of the distributing system of the Northern California Power Company, Consolidated (hereinafter referred to as the "company"), within the city of Redding, and also, three franchises granted in times past, under the authority of which they maintained such distributing system. By reason of this complete taking on the part of the city of all the company's property, it was apparent that the company was about to lose its right to supply its own power to its office and certain shops maintained within the city of Redding. In order to avoid this result, which the company asserted would necessitate a further claim for severance damage, a stipulation was entered into that the company should reserve the right to serve its own office and shops which, at the commencement of this proceeding, were being maintained within the city of Redding.

No reference having been made in our prior decision No. 8542 to this stipulation and reservation of right to the company, it is necessary that a correction of description be made for that purpose. Furthermore, it seems desirable that the findings in this proceeding should contain a more detailed description of the property sought to be acquired.

As severance damage the Commission heretofore allowed the sum of $623, which sum was stated on pages 50 and 53 of the original typewritten copy of the opinion filed in Decision No. 8542, as the cost of "rearrangement of the power and telephone circuits after the sale of the Redding distribution system, in order to create the same or better operating conditions for the company's own requirements." It now appears that this sum of $623 was the amount estimated by one of the Commission's engineers as the cost of placing of certain of the company's power and telephone circuits upon a separate cross arm of a pole line to be used jointly by the city and the company. Such an arrangement contemplates an agreement between the parties for the joint use of the pole line. The company has not consented to such an arrangement, and we do not feel that the Commission has jurisdiction to prescribe or enforce it. It is necessary, therefore, that an allowance for severance damage be reconsidered.

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Evidence was submitted by the company at the time of the rehearing, showing that the sum of $3,531.99 would be required to make the changes in construction necessary to enable the company to serve its own office and shops within the city of Redding. This figure has been checked by the Commission's engineers and found to be reasonable. The sum of $3,531.99, instead of the sum of $623 will, therefore, be allowed as severance damage.

It is therefore hereby ordered, that the order and findings contained in the opinion and order on rehearing rendered herein on January 14, 1921, Decision No. 8542, commencing at the top of page 54 and extending to and including page 56 of the typewritten copy of said decision filed herein, be and the same are hereby modified and amended to read as follows:

"Order and Findings.

"The City of Redding, a municipal corporation of the sixth class, having filed with the Railroad Commission a petition setting forth the intention of the city to acquire, under eminent domain proceedings or otherwise, certain specifically described property and rights and parts and portions thereof of the Northern California Power Company, Consolidated, a public utility, and praying that the Railroad Commission fix and determine the just compensation to be paid to the Northern California Power Company, Consolidated, for said property and rights and the parts and portions thereof sought to be acquired; public hearings having been held, evidence received, and the matter having been submitted, and the Commission, after due consideration thereon, having rendered its decision No. 6537, and thereafter a petition for rehearing on behalf of said Northern California Power Company, Consolidated, having been sought and granted, and further hearings having been held and additional evidence received, briefs filed and the proceedings submitted;

"Now, therefore, the Railroad Commission of the State of California, after a full consideration of all matters presented and being fully advised in the premises, hereby orders that that portion of its decision No. 6537 heretofore made herein, commencing at the top of page 43 of the original typewritten copy of said decision on file herein, and extending through and including all of said page 43 and down to and including the third line of page 44, containing certain specific findings as the just compensation of the property sought to be acquired, is hereby set aside and rescinded, and in lieu thereof the Commission now makes and files its written findings herein as follows, to wit:

"The Railroad Commission hereby finds the just compensation to be paid by the city of Redding for the property and rights and parts and portions thereof sought to be acquired by said city, and which are

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specifically set forth and described in the schedule marked Exhibit "A" annexed herewith and by reference expressly made a part hereof, to be the sum of $49,177 and said sum is hereby declared to be such just compensation as of the date on which the petition was filed herein by the city of Redding, to wit, the second day of May, 1918.

"The Commission further finds that the property and rights and parts and portions thereof which the city of Redding seeks to acquire, was, at the time of the filing of the petition herein, used by the Northern California Power Company, Consolidated, in connection with other property and rights not sought to be acquired by said city, and constitutes in connection therewith a larger system used by said Northern California Power Company, Consolidated, for the generation, distribution and sale of electricity; and that by reason of the taking of said property and rights and the parts and portions thereof sought to be acquired by said city, a severance damage will result to the property and rights of the Northern California Power Company, Consolidated, which are not sought to be acquired by said city; and the Commission hereby finds the amount of said severance damage to be the sum of $3,531.99."

It is further ordered, that said Decision No. 8542 be further amended by striking out the figures $623 where the same appear on pages 50 and 53 of the typewritten copy of said decision on file herein, and inserting in lieu thereof the figures $3,531.99.

It is hereby further ordered, that the petition for rehearing filed herein on January 25, 1921, in so far as the same relates to the modification or changes other than those herein made, be and the same is hereby denied.

Dated at San Francisco, California, this fourteenth day of March, 1921.

EXHIBIT "A."

Accompanying Decision No. 8745 on Application No. 3718.

Description of property and rights and parts and portions thereof sought to be acquired by the city of Redding, and comprising:

First—Detailed inventory of property listed in the report of the Engineering Department of the Railroad Commission of the State of California, dated October 2, 1918, and referred to in the amendment filed February 27, 1919, to paragraph 13 of Application No. 3718.

Second—Description of certain franchise rights, sought to be acquired by the city of Redding.

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CALIFORNIA RAILROAD COMMISSION.
PHYSICAL VALUATION OF ELECTRIC CORPORATIONS.
Poles and Fixtures (Located at Redding).

Types, sizes, quantities, etc.	Proportion and division of ownership	Units	Number of units
Poles—Round cedar 20 feet	100	Each	1
Poles—Round cedar 20 feet	100	Each	1
Poles—Round cedar 25 feet	100	Each	2
Poles—Round cedar 25 feet	100	Each	3
Poles—Round cedar 25 feet	100	Each	4
Poles—Round cedar 25 feet	100	Each	1
Poles—Round cedar 30 feet	100	Each	39
Poles—Round cedar 30 feet	100	Each	71
Poles—Round cedar 30 feet	100	Each	17
Poles—Round cedar 30 feet	100	Each	15
Poles—Round cedar 25 feet	100	Each	1
Poles—Round cedar 25 feet	100	Each	1
Poles—Round cedar 30 feet	100	Each	3
Poles—Round cedar 30 feet	100	Each	10
Poles—Round cedar 30 feet	100	Each	6
Poles—Round cedar 35 feet	100	Each	1
Poles—Round cedar 35 feet	100	Each	5
Poles—Round cedar 35 feet	100	Each	16
Poles—Round cedar 35 feet	100	Each	39
Poles—Round cedar 35 feet	100	Each	18
Poles—Round cedar 35 feet	100	Each	9
Poles—Round cedar 35 feet	100	Each	4
Poles—Round cedar 35 feet	100	Each	5
Poles—Round cedar 40 feet	100	Each	1
Poles—Round cedar 40 feet	100	Each	5
Poles—Round cedar 40 feet	100	Each	14
Poles—Round cedar 40 feet	100	Each	15
Poles—Round cedar 40 feet	100	Each	3
Poles—Round cedar 40 feet	100	Each	11
Poles—Round cedar 40 feet	100	Each	3
Poles—Round fir 30 feet	100	Each	2
Poles—Round cedar 25 feet	100	Each	15
Poles—Round fir 30 feet	100	Each	1
Poles—Round cedar 45 feet	100	Each	2
Poles—Round cedar 45 feet	100	Each	1
Poles—Round cedar 45 feet	100	Each	1
Poles—Round fir 30 feet	100	Each	10
Poles—Round fir 30 feet	100	Each	1
Poles—Round fir 35 feet	100	Each	7
Poles—Round fir 35 feet	100	Each	23
Poles—Round fir 35 feet	100	Each	14
Poles—Round fir 35 feet	100	Each	5
Poles—Round fir 40 feet	100	Each	1
Poles—Round fir 40 feet	100	Each	22
Poles—Round fir 40 feet	100	Each	21
Poles—Round fir 40 feet	100	Each	1
Poles—Round fir 45 feet	100	Each	1
Poles—Round fir 45 feet	100	Each	4
Poles—Round fir 45 feet	100	Each	4
Poles—Round fir 50 feet	100	Each	2
Poles—Square cedar 20 feet	100	Each	5
Poles—Square cedar 20 feet	100	Each	1
Poles—Square cedar 25 feet	100	Each	2
Poles—Square cedar 25 feet	100	Each	8
Poles—Square cedar 25 feet	100	Each	13
Poles—Square cedar 25 feet	100	Each	6
Poles—Square cedar 30 feet	100	Each	2
Poles—Square cedar 30 feet	100	Each	6
Poles—Square cedar 30 feet	100	Each	23
Poles—Square cedar 30 feet	100	Each	16
Poles—Square cedar 30 feet	100	Each	1
Poles—Square cedar 35 feet	100	Each	1
Poles—Square cedar 35 feet	100	Each	1
Poles—Square cedar 35 feet	100	Each	3

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CALIFORNIA RAILROAD COMMISSION.

PHYSICAL VALUATION OF ELECTRIC CORPORATIONS.

Poles and Fixtures (Located at Redding).

Types, sizes, quantities, etc.	Proportion and division of ownership	Units	Number of units
Poles—Square cedar 35 feet	100	Each	3
Poles—Square redwood 25 feet	100	Each	1
Poles—Square redwood 25 feet	100	Each	3
Poles—Square redwood 30 feet	100	Each	1
Poles—Square redwood 30 feet	100	Each	3
Poles—Square redwood 35 feet	100	Each	2
Poles—Square redwood 35 feet	100	Each	2
Poles—Square redwood 35 feet	100	Each	11
Poles—Square redwood 35 feet	100	Each	12
Poles—Square redwood 40 feet	100	Each	1
Poles—Painting 20 feet	100	Each	2
Poles—Painting 25 feet	100	Each	4
Poles—Painting 30 feet	100	Each	2
Poles—Painting 40 feet	100	Each	3
Poles—Painting 45 feet	100	Each	1
Poles—Painting 50 feet	50	Each	3
Poles—Concrete set	100	Each	11
Cross arms—3½ ins. x 4½ ins. x 3 ft.	100	Each	164
Cross arms—3½ ins. x 4½ ins. x 4 ft.	100	Each	59
Cross arms—3½ ins. x 4½ ins. x 5 ft.	100	Each	695
Cross arms—3¾ ins. x 4¾ ins. x 6½ ft.	100	Each	108
Cross arms—3¾ ins. x 4¾ ins. x 8½ ft.	100	Each	259
Cross arms—4 ins. x 6 ins. x 12 ft.	100	Each	20
Insulator pine provo—1½ ins. x 14 ins.	100	Each	213
Insulator pine provo—1½ ins. x 9 ins.	100	Each	4132
Insulator brackets—	100	Each	167
Cross arm braces—1¼ ins. x 1¼ ins. x 26 ins. galvanized	100	100	17.8
Bolts through ⅝ in. x 14 ins. galvanized	100	100	13.04
Bolts brace—⅝ in. x 4½ ins. galvanized	100	100	18.02
Bolts spacing—⅝ in. x 16 ins. galvanized	100	100	4.09
Bolts lags—½ in. x 5 ins. galvanized	100	100	9.72
Pole steps—9/16 in. x 9 ins. galvanized	100	100	10.31
Guy clamps—3 bolt	100	100	1.44
Guy guards	100	Each	37
Anchors slug and rod	100	Each	140
Guys—5/16 in., average length 60 ft.	100	Each	141
Guys—¼ in., average length 40 ft.	100	Each	17
Guys—No. 9, average length 100 ft.	100	Each	33

CALIFORNIA RAILROAD COMMISSION.

PHYSICAL VALUATION OF ELECTRIC CORPORATIONS.

Overhead System.

Location	Proportion and division of ownership	Items with detailed description	Units	Number of units
Redding	100	Wire—D. B. W. P. copper No. 10		
Redding	100	Wire—D. B. W. P. copper No. 8	Mile	19.699
Redding	100	Wire—D. B. W. P. copper No. 6	Mile	19.866
Redding	100	Wire—D. B. W. P. copper No. 4	Mile	4.053
Redding	100	Wire—D. B. W. P. copper No. 0	Mile	2.450
Redding	100	Wire—Bare copper No. 8	Mile	.228
Redding	100	Wire—Bare copper No. 4	Mile	1.981
Redding	100	Wire—Bare copper No. 0	Mile	1.464
Redding	100	Wire—Bare iron B. B. galvanized No. 9	Mile	.597
Redding	100	Wire—D. B. R. C. copper No. 4	1,000 ft.	1.925
Redding	100	Wire—D. B. R. C. copper No. 2	1,000 ft.	3.765
Redding	100	Insulators—Provo	Each	213
Redding	100	Insulators—D. P. D. G. glass	Each	1,523
Redding	100	Insulators—Porcelain	Each	2,379
Redding	100	Insulators—Strain	Each	325
Redding	100	Cleats—One wire	Each	932

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CALIFORNIA RAILROAD COMMISSION.

PHYSICAL VALUATION OF ELECTRIC CORPORATIONS.

Line Transformers and Devices.

General description of transformer. Manufacturer, type, cooling, etc.	Make	Voltage, K. V.		K. W. or K. V. A.	Phase and frequency	Number of each
		Prim.	Sec.			
Transformer—Pole type	G. E.	2200	220/110	1	Single 60 cy.	3
Transformer—Pole type	G. E.	2200	220/110	3	Single 60 cy.	14
Transformer—Pole type	G. E.	2200	220/110	5	Single 60 cy.	14
Transformer—Pole type	G. E.	2200	220/110	7½	Single 60 cy.	6
Transformer—Pole type	G. E.	2200	220/110	10	Single 60 cy.	8
Transformer—Pole type	G. E.	2200	220/110	15	Single 60 cy.	3
Transformer—Pole type	G. E.	2200	220/110	20	Single 60 cy.	3
Transformer—Pole type	G. E.	2200	220/110	30	Single 60 cy.	3
Transformer—Pole type	W. E. M.	2200	220/110	1	Single 60 cy.	3
Transformer—Pole type	W. E. M.	2200	220/110	1½	Single 60 cy.	1
Transformer—Pole type	W. E. M.	2200	220/110	2	Single 60 cy.	2
Transformer—Pole type	W. E. M.	2200	220/110	3	Single 60 cy.	13
Transformer—Pole type	W. E. M.	2200	220/110	4	Single 60 cy.	5
Transformer—Pole type	W. E. M.	2200	220/110	5	Single 60 cy.	6
Transformer—Pole type	W. E. M.	2200	220/110	7½	Single 60 cy.	16
Transformer—Pole type	W. E. M.	2200	220/110	10	Single 60 cy.	6
Transformer—Pole type	W. E. M.	2200	220/110	20	Single 60 cy.	2
Transformer—Pole type	N. C. P.	2200	220/110	2	Single 60 cy.	1
Transformer—Pole type	N. C. P.	2200	220/110	10	Single 60 cy.	4
Transformer—Pole type	A. C. M.	2200	220/110	3	Single 60 cy.	1
Transformer—Pole type	Pittsburg	2200	220/110	5	Single 60 cy.	1
Transformer—Pole type	G. E.	6600	440/220	3	Single 60 cy.	1
Transformer—Pole type	N. C. P.	6600	440/220	3	Single 60 cy.	1
Transformer—Pole type	N. C. P.	6600	440/220	7½	Single 60 cy.	2
Transformer devices—						
G. E. cut outs No. 51874						299
N. C. P. 6600 volt cut outs						9
G. E. cut outs No. 51874 less plugs						10
G. E. 100 amp. 4500 volts oil switches—pole type						2

CALIFORNIA RAILROAD COMMISSION.

PHYSICAL VALUATION OF ELECTRIC CORPORATIONS.

Electric Services.

General description of conductors, insulation ducts, supports and other appur.enances	Wire		Length in feet	Bare or W. P.	Number of each
	Size	No.			
Double braid weatifer proof	#10	2	82	W. P.	713
Double braid weather proof	#10	3	77	W. P.	39
Double braid rubber covered	#10	2	24	R. C.	68
Double braid rubber covered	#10	3	40	R. C.	1
Double braid weather proof	#8	2	87	W. P.	8
Double braid weather proof	#8	3	76	W. P.	28
Double braid weather proof	#6	2	81	W. P.	10
Double braid weather proof	#6	3	64	W. P.	5
Double braid weather proof	#4	2	98	W. P.	4
Double braid weather proof	#4	3	62	W. P.	10
			Unit		
1¼ inch conduits—galvanized			100 ft.		.40
2 inch conduits—galvanized			100 ft.		.50
½ inch conduits—galvanized			100 ft.		.10
½ inch B condu'ets			100		.02

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CALIFORNIA RAILROAD COMMISSION.

PHYSICAL VALUATION OF ELECTRIC CORPORATIONS.

Meters.

Full description of apparatus including reference to manufacturer's style or catalog number	Make	Type	No. of wire	Amperage	Phase and frequency	Voltage		Number of each
						Volts	A. C. or D. C.	
Westinghouse polyphase meter	W. E. & M.	O. A.	4	50	Poly	200	A. C.	1
Westinghouse polyphase meter	W. E. & M.	O. A.	4	15	Poly	200	A. C.	1
Westinghouse polyphase meter	W. E. & M.	O. A.	4	5	Poly	200	A. C.	1
Westinghouse demand meter	W. E. & M.	R. O.	2	5	Single	100	A. C.	1
Westinghouse single phase meter	W. E. & M.	B.	2	5	Single	100	A. C.	1
Westinghouse single phase meter	W. E. & M.	B.	2	10	Single	100	A. C.	1
Westinghouse single phase meter	W. E. & M.	C	2	5	Single	100	A. C.	2
Westinghouse single phase meter	W. E. & M.	C	2	10	Single	100	A. C.	3
Westinghouse single phase meter	W. E. & M.	C	2	15	Single	200	A. C.	2
Westinghouse single phase meter	W. E. & M.	C	2	20	Single	200	A. C.	1
Westinghouse single phase meter	W. E. & M.	C	2	30	Single	200	A. C.	2
Westinghouse single phase meter	W. E. & M.	C	2	60	Single	100	A. C.	1
Westinghouse polyphase meter	W. E. & M.	C	3	20	Poly	400	A. C.	2
Westinghouse polyphase meter	W. E. & M.	C	3	10	Poly	200	A. C.	3
Westinghouse polyphase meter	W. E. & M.	C	3	15	Poly	200	A. C.	1
Westinghouse polyphase meter	W. E. & M.	C	3	40	Poly	200	A. C.	1
Westinghouse single phase meter	W. E. & M.	O. A.	2	5	Single	100	A. C.	528
Westinghouse single phase meter	W. E. & M.	O. A.	2	10	Single	100	A. C.	39
Westinghouse single phase meter	W. E. & M.	O. A.	2	20	Single	100	A. C.	2
Westinghouse single phase meter	W. E. & M.	O. A.	2	25	Single	100	A. C.	2
Westinghouse single phase meter	W. E. & M.	O. A.	2	5	Single	200	A. C.	17
Westinghouse single phase meter	W. E. & M.	O. A.	2	10	Single	200	A. C.	17
Westinghouse single phase meter	W. E. & M.	O. A.	2	15	Single	200	A. C.	2
Westinghouse single phase meter	W. E. & M.	O. A.	2	20	Single	200	A. C.	1
Westinghouse single phase meter	W. E. & M.	O. A.	2	25	Single	200	A. C.	2
Westinghouse single phase meter	W. E. & M.	O. A.	3	10	Single	200	A. C.	2
Westinghouse single phase meter	W. E. & M.	O. A.	3	15	Single	200	A. C.	3
Westinghouse single phase meter	W. E. & M.	O. A.	3	20	Single	200	A. C.	1
Westinghouse single phase meter	W. E. & M.	O. A.	2	15	Single	100	A. C.	4
Thomson watthour meter	G. E.	I-10	2	5	Single	100	A. C.	99
Thomson watthour meter	G. E.	I-10	2	10	Single	100	A. C.	16
Thomson watthour meter	G. E.	I-10	2	5	Single	200	A. C.	24
Thomson watthour meter	G. E.	I-10	2	10	Single	200	A. C.	8
Thomson high torque meter	G. E.	I	2	5	Single	100	A. C.	22
Thomson high torque meter	G. E.	I	2	10	Single	100	A. C.	7
Thomson high torque meter	G. E.	I	2	15	Single	100	A. C.	6
Thomson high torque meter	G. E.	I	2	25	Single	100	A. C.	7
Thomson high torque meter	G. E.	I	3	15	Single	200	A. C.	7
Thomson high torque meter	G. E.	I	3	25	Single	200	A. C.	2
Thomson high torque meter	G. E.	I	2	5	Single	200	A. C.	2
Thomson high torque meter	G. E.	I	3	5	Single	200	A. C.	1
Thomson high torque meter	G. E.	I	2	10	Single	200	A. C.	1
Thomson high torque meter	G. E.	I	3	10	Single	200	A. C.	2
Thomson watthour meter	G. E.	I-10-Y	2	5	Single	100	A. C.	5
Thomson watthour meter	G. E.	I-10-Y	2	10	Single	200	A. C.	2
Thomson polyphase meter	G. E.	D-3	3	10	Poly	200	A. C.	1
Thomson polyphase meter	G. E.	D-3	3	25	Poly	200	A. C.	3
Thomson polyphase meter	G. E.	D 3	4	50	Poly	200	A. C.	1
Thomson polyphase meter	G. E.	D-3	3	150	Poly	200	A. C.	1
Fort Wayne single phase meter	Ft. W.	K-3	2	10	Single	100	A. C.	1
Fort Wayne polyphase meter	Ft. W.	K-3	3	10	Poly	100	A. C.	1
Fort Wayne single phase meter	Ft. W.	K-2	3	5	Single	200	A. C.	1
Thomson high torque meter	G. E.	I	3	50	Single	200	A. C.	1
Thomson high torque meter	G. E.	I	3	75	Single	200	A. C.	2
Thomson high torque meter	G. E.	I	3	100	Single	200	A. C.	1
Transformer—Potential 2200/110 volt	W. E. & M.						A. C.	3
Transformer—Current 80/5 ampere	W. E. & M.						A. C.	2
Transformer—Current 40/5 ampere	W. E. & M.						A. C.	2
Transformer—Current 150/5 ampere	G. E.						A. C.	2
Transformer—Current 10/5 ampere	G. E.						A. C.	3

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CALIFORNIA RAILROAD COMMISSION.
PHYSICAL VALUATION OF ELECTRIC CORPORATIONS.
Installation on Consumers' Premises.

Items with detailed description		Unit Number of units
Cut outs, 2 pole, 60 ampere, 250 volt	Each	1
Cut outs, 2 pole, ampere, 250 volt	Each	9
Cleats, two wire with screws	100	.25
Knobs, No. 5½ solid	100	.24
Loom, ¼-inch	100 ft.	.63
Wire, copper, R. C. D. B. 10 B & S	100 ft.	.59
Wire, copper, R. C. D. B. 14 B & S	100 ft.	2.22
Labor	One hour	13
The above material was used on the twenty meter installations that were inspected.		
Meter installations	Each	868

IN THE MATTER OF THE APPLICATION OF THE CITY OF REDDING TO FIX THE JUST COMPENSATION TO BE PAID BY THE CITY OF REDDING TO NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, FOR ITS PROPERTY OWNED AND USED BY IT IN SAID CITY FOR THE PURPOSE OF DISTRIBUTION OF ELECTRIC ENERGY IN SAID CITY.

Application No. 3718.

FRANCHISE RIGHTS SOUGHT TO BE ACQUIRED BY THE CITY OF REDDING.

The rights granted, and at the time of the filing of the application herein, belonging to Northern California Power Company, Consolidated, under and by virtue of those three certain ordinances of the Board of Trustees of the City of Redding, numbered 11, 93 and 130, respectively, and described as follows, to wit:

Ordinance No. 11 of the Board of Trustees of the City of Redding, approved on the 6th day of January, 1890, granting to Francis Smith the right to construct, erect and maintain an electric light plant within the corporate limits of the City of Redding, and the right to erect poles, wires and other necessary appliances used in transmitting of electric power or the transmitting of electric current, is more particularly set forth in said ordinance, to which reference is hereby made for greater certainty.

Ordinance No. 93 of the Board of Trustees of the City of Redding, approved on the 1st day of August, 1904, granting to Henry L. Shannon the right to erect poles and stretch wires and other appliances thereon for the purpose of conducting and transmitting electricity and electric current for power, light and other necessary and useful purposes, over, along and upon the streets, alleys and avenues of the said City of Redding, as more particularly set forth in said Ordinance, to which reference is hereby made for greater certainty.

Ordinance No. 130 of the Board of Trustees of the City of Redding, approved on the 6th day of July, 1908, granting to Northern Light & Power Company the right to erect poles and stretch wires and other appliances thereon for the purpose of conducting and transmitting electricity and electric current for power, light and other necessary and useful purposes over, along and upon the streets, alleys and avenues of the said city of Redding, as more particularly set forth in said ordinance, to which reference is hereby made for greater certainty.

EXCEPTING, however, from the rights granted under and by virtue of the said ordinances numbered 11, 93 and 130, the rights to erect poles, wires and other necessary appliances for the purpose of conducting and transmitting electricity and electric current for power, light and other necessary and useful purposes over, along and upon the streets, alleys and avenues of the said City of Redding for the service of the repair shop, gas plant, transformer shop, meter-testing shop, substation, switching station, dispatching station, office and other properties which, at the time of the filing of the application herein were owned and/or maintained and/or operated by Northern California Power Company, Consolidated, and which are now or may be hereafter owned and/or maintained and/or operated by Northern California Power Company, Consolidated, its successors in interest and assigns, in the City of Redding, which said rights are hereby expressly excepted from the rights to be acquired by the City of Redding and are expressly reserved to Northern California Power Company, Consolidated, its successors in interest and assigns.

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DECISION NO. 8746.

IN THE MATTER OF THE APPLICATION OF RUSSIAN RIVER WATER COMPANY TO ACQUIRE FROM JOHN STARRETT AND ELLEN STARRETT, HIS WIFE, THE OPERATIVE PROPERTIES USED IN CONNECTION WITH SERVING WATER TO THE PUBLIC IN AND ADJACENT TO MONTE RIO, SONOMA COUNTY, CALIFORNIA.

Application No. 5718.

Decided March 15, 1921.

A. F. Lemberger, for Applicant and for North Shore Land Company.

BY THE COMMISSION.

OPINION.

Russian River Water Company, an incorporated public utility, applies in this proceeding for authority to purchase from John Starrett and Ellen Starrett, his wife, a certain water system owned and operated by them in Sonoma County, and to issue its stock at par in payment therefor in such amount as shall be fixed by appraisal of the Railroad Commission. John Starrett and Ellen Starrett have joined in said application and subscribed to all the facts set out therein as the parties desiring to sell said system and properties, said properties being more particularly described in an inventory and proposed bill of sale attached to the application and made a part thereof.

A public hearing was held in this matter before Examiner Satterwhite at Monte Rio.

It appears that the system in question, hereinafter sometimes referred to as the Starrett system, supplies some seventy consumers, and is so situated that Russian River Water Company proposes to and can advantageously connect said system directly with its present water system, thereby improving service conditions and increasing the water supply, which has heretofore at times been inadequate to meet the demands of the consumers of the Starrett system.

For the purpose of determining the amount of stock to be issued by Russian River Water Company in payment for the Starrett system, an appraisal of the properties was submitted at the hearing by Mr. H. A. Noble, one of the Commission's hydraulic engineers. No lands or water rights are included in the transfer. The present diversion structures are located on lands owned by the North Shore Land Company, whose interests were represented at the hearing. In addition to the structural properties there is included in the proposed transfer certain rights of way and easements, being those at present utilized by the system and

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others reserved for possible future extensions or relocations of pipe, mains or structures.

After a careful consideration of the evidence submitted and the facts above outlined concerning the elements of value, it is found that $4,300 represents the present fair value of the Starrett system for the purposes of this proceeding, and we are of the opinion that for the purpose of acquiring these properties, Russian River Water Company should be permitted to issue $4,300 par value of its common stock.

ORDER.

Russian River Water Company having applied to the Railroad Commission for permission to acquire from John Starrett and Ellen Starrett, his wife, certain properties used in connection with serving water to the public in and adjacent to Monte Rio, Sonoma County, and John Starrett and Ellen Starrett having joined in said application; a public hearing having been held and the Commission being of the opinion that the application should be granted and that Russian River Water Company be permitted to issue $4,300 of its common stock in payment for said Starrett system, and it appearing that the expenditures for the purpose of acquiring said properties are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that John Starrett and Ellen Starrett, his wife, be and they are hereby authorized to sell, and Russian River Water Company is authorized to purchase at a cost of $4,300, free and clear of all liens and encumbrances, those certain structures, mains and rights of way comprising the present operative water properties of what is known as the Starrett system, said properties being more particularly described in an inventory which was submitted for the purposes of this proceeding, said sale and transfer to be made in accordance with the terms and conditions of the proposed bill of sale attached to the application herein.

It is further ordered, that Russian River Water Company be and it is hereby authorized to issue in full payment for the properties which it is herein authorized to purchase $4,300 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued in payment for the properties which Russian River Water Company is herein permitted to acquire shall not be urged before this Commission or any other public body as a finding of value of said properties for rate fixing or any purpose other than the transfer herein permitted.

2. Russian River Water Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of

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each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. Within fifteen (15) days after the transfer of the properties herein authorized is effected, a certified copy of the instrument of conveyance under which Russian River Water Company receives and holds title to the properties shall be filed with the Commission.

4. Within ten (10) days from the date on which John and Ellen Starrett shall have relinquished possession and control of the public utility properties herein authorized to be transferred, said properties shall file with the Railroad Commission a certified statement setting forth the date on which such possession and control was actually relinquished.

5. The authority herein granted to transfer properties and issue stock will apply only to such properties as may be transferred and to such stock as may be issued on or before July 1, 1921.

Dated at San Francisco, California, this fifteenth day of March, 1921.

DECISION No. 8747.

IN THE MATTER OF THE APPLICATION OF RUSSIAN RIVER WATER COMPANY TO ACQUIRE FROM LEPPO REALTY COMPANY THE OPERATIVE PROPERTIES USED IN CONNECTION WITH SERVING WATER TO THE PUBLIC IN AND ADJACENT TO MONTE CRISTO, SONOMA COUNTY, CALIFORNIA.

Application No. 5719.

Decided March 15, 1921.

A. F. Lemberger, for Applicant.

BY THE COMMISSION.

OPINION.

Russian River Water Company, applicant herein, is an incorporated public utility, engaged in the business of supplying water to consumers in Monte Rio, Mesa Grande, Sheridan and adjacent territory in Sonoma County, California. In this proceeding applicant asks for authority to purchase from the Leppo Realty Company, a corporation, its water supply system located in the same vicinity, and to issue its stock at par in payment therefor in such amount as shall be fixed by appraisal of the Railroad Commission. Leppo Realty Company has joined in said application and in all the facts set out therein, as desiring to dispose of said system and properties to said Russian River Water Company.

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A public hearing was held in this matter before Examiner Satterwhite at Monte Rio.

The evidence shows that the water system in question was installed by Leppo Realty Company to further its real estate operations. The system is so situated that Russian River Water Company proposes to and can advantageously connect said system directly with its present water system, thereby increasing the supply which has heretofore been inadequate for the consumers served by Leppo Realty Company.

Thus it appears that a more adequate water supply and improved service conditions will be the direct result of this proposed transaction.

No lands, water or water rights to any springs or streams are included in the proposed transfer, neither is the pump plant included which now provides the main water supply. A description of the property sought to be transferred is set out in a proposed form of bill of sale which is attached to the application, and includes all tanks, mains, laterals, service pipes, connections and equipment installed and used by said Leppo Realty Company in its service to the public.

Mr. H. A. Noble, one of the Commission's hydraulic engineers, submitted an appraisal of the properties in question. After an analysis of the various items and taking into consideration all of the evidence submitted, it is found that the sum of $3,200 is a fair value of this system for the purposes of this proceeding. We are of the opinion that for the purpose of acquiring the properties Russian River Water Company should be permitted to issue $3,200 par value of its common stock.

ORDER.

Russian River Water Company having applied to the Railroad Commission for permission to acquire properties from Leppo Realty Company and issue stock in payment for such properties, and Leppo Realty Company having joined in the application, a public hearing having been held and the Commission being of the opinion that the Russian River Water Company should be permitted to issue $3,200 of stock to acquire the properties described and referred to in this order, and that the expenditures for the purpose of acquiring said properties are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Leppo Realty Company be and it is hereby authorized to sell, and Russian River Water Company to purchase at a cost of $3,200 free and clear of all liens and encumbrances those certain structures, mains and rights of way comprising the present operative water system of said Leppo Realty Company, said properties being more particularly described in an inventory which was submitted for the purpose of this proceeding; said sale and transfer to be made in accordance with the bill of sale attached to the petition.

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It is hereby further ordered, that Russian River Water Company be and it is hereby authorized to issue in full payment for the properties, which it is herein authorized to purchase, $3,200 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued in payment for the properties, which Russian River Water Company is herein permitted to acquire, shall not be urged before this Commission, or any other public body, as a finding of value of said properties for rate fixing or any purpose other than the transfer herein permitted.

2. Russian River Water Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. Within fifteen days after the transfer of the properties herein authorized is effected, a certified copy of the instrument of conveyance under which Russian River Water Company receives and holds title to the properties shall be filed with this Commission.

4. Within ten days from the date on which Leppo Realty Company relinquishes possession and control of the public utility properties herein authorized to be transferred, said company shall file with the Railroad Commission a certified statement setting forth the date on which such possession and control was actually relinquished.

5. The authority herein granted to transfer properties and issue stock will apply only to such properties as may be transferred and to such stock as may be issued on or before July 1, 1921.

Dated at San Francisco, California, this fifteenth day of March, 1921.

DECISION NO. 8748.

IN THE MATTER OF THE APPLICATION OF ALBERT B. HOLSEN, OWNER OF HOLSEN HEIGHTS WATER WORKS, FOR ADJUSTMENT OF WATER RATES.

Application No. 6208.
Decided March 15, 1921.

Albert B. Holsen, in propria persona.

BY THE COMMISSION.

OPINION.

Albert B. Holsen as owner of Holsen Heights Water Works, makes application to the Railroad Commission in this proceeding for an adjust-

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ment of water rates. Holsen Heights Water Works is a public utility water system supplying water for domestic consumption to some twenty-five consumers in what is known as Holsen Heights tract in the city of Los Angeles, service being rendered at the flat rate of 75 cents per month. It is alleged, in effect, that this rate is inadequate under present operating conditions, and does not yield an income sufficient to cover maintenance and operation expenses, provide for a replacement fund and a fair return on the investment.

A public hearing was held before Examiner Westover in Los Angeles, of which hearing all of applicant's consumers were notified and given an opportunity to appear and be heard. However, the consumers were not present nor were they represented at the hearing.

Holsen Heights Water Works was installed in 1910 as a part of a real estate development project which was promoted by Mr. Holsen. Water is pumped from a 150 foot well into 15,000-gallon tank elevated about 30 feet above the ground, from which it is delivered to its point of use through a two-inch main.

Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, made a field investigation and submitted a report and appraisal of the system showing the estimated original cost of the used and useful properties to be $3,112. A replacement fund of $38 was allowed, computed by the sinking fund method. This amount, set aside annually, is designed to provide a fund for the replacement of worn out properties. The reasonable annual maintenance and operation expense of the system was estimated by the Commission's engineer to be the sum of $486. No other estimates were submitted, and as the figures at hand appear to be reasonable they will be used for the purpose of this proceeding.

A summary of the elements going to make up the annual charges which should be produced by rates under normal conditions is shown by the following:

Return on $3,118 at 8 per cent	$249 00
Replacement fund	38 00
Maintenance and operation expense	486 00
Total	$773 00

The records of applicant show that the gross operating revenue of the system for 1920 was approximately $200, and it is apparent that it would not be equitable to require the present consumers to return to applicant in the form of rates the annual charges set out above.

Our investigation develops the fact that there is a very large investment in this system in proportion to the number of consumers served, and that the present equipment could supply many more consumers without any considerable increase in operating expenses. When this

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tract develops to the extent for which the system was designed, the utility will be able to realize a more commensurate income.

We find, however, that the present flat rate of 75 cents is less than the present service is reasonably worth to the consumers. The rates authorized in the order are reasonable for the service rendered and designed to return to applicant an increased revenue, which will more nearly earn the cost of maintenance and operation.

ORDER.

Albert B. Holsen, owner of Holsen Heights Water Works, having applied to the Railroad Commission for authority to increase rates for water served in the territory of Holsen Heights Tract in the city of Los Angeles, a public hearing having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates heretofore charged by applicant, in so far as they differ from the rates herein established, are unjust and unremunerative, and that the rates and charges herein established are just and reasonable rates for the service rendered.

Basing its order on the foregoing findings of fact and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, by the Railroad Commission of the State of California, that Albert B. Holsen, owner of Holsen Heights Water Works, be and he is hereby authorized and directed to file with the Railroad Commission within twenty (20) days of the date of this order, the following schedule of rates, said rates to be charged for all water delivered to consumers on and after April 1, 1921, and supersede any and all rate schedules theretofore in effect:

Monthly Flat Rates.

Residences, boarding houses, apartments, lodging houses, tenements and flats of five rooms or less, with toilet and bath	$1 50
For each additional room, toilet or bath	25
For each automobile	25
For irrigation of lawns, trees, shrubbery or garden, per square yard	002

It is hereby further ordered, that Albert B. Holsen be and he is hereby directed to file with the Railroad Commission for its approval, rules and regulations governing the distribution of water to his consumers, said rules and regulations to be filed with the Commission within thirty (30) days of the date of this order, and become effective within five (5) days of the date of their approval.

Dated at San Francisco, California, this fifteenth day of March, 1921.

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DECISION No. 8749.

IN THE MATTER OF THE APPLICATION OF STAR AUTO STAGE COMPANY, A CORPORATION, FOR A PERMIT AUTHORIZING SAID CORPORATION TO ISSUE TREASURY STOCK.

Application No. 6471.

Decided March 15, 1921.

STOCK ISSUES—MINIMUM AMOUNT TO BE SOLD FOR.—The fact that the Railroad Commission has heretofore authorized a utility to issue stock to be sold at not less than 80 does not necessarily mean that all future issues will be authorized to be sold at a like price. A change in the condition of the utility must be taken into consideration in fixing the minimum price at which each particular issue shall be sold. Applicant authorized to issue and sell $100,000 shares of its common capital stock, provided that the proceeds thereof shall fully pay for equipment purchased at a cost of $86,600.

Nutter, Hancock and Rutherford; and *Harry Encell*, by *Harry Encell*, for Applicant.

MARTIN, *Commissioner.*

OPINION.

Star Auto Stage Company asks permission to issue $100,000 of its common capital stock for the purpose of acquiring automobile equipment.

Applicant reports that W. E. Travis, one of its principal stockholders, acquired from George S. Held at a cost of $27,000 four Packard automobiles, each having a carrying capacity of 12 passengers, and two Packard automobiles, each having a carrying capacity of 20 passengers, and certain other properties. From Clarence L. Simonds, W. E. Travis acquired at a cost of $12,600 one 16-passenger Studebaker, one 12-passenger Studebaker and a 20-passenger Packard automobile, together with certain other properties. All of these automobiles were being used by George S. Held and Clarence L. Simonds in automobile passenger service between Stockton and Oakland, both George S. Held and Clarence L. Simonds being members of the Star Auto Stage Association. This equipment, since its acquisition by W. E. Travis, has been used by Star Auto Stage Company, and according to the testimony of W. E. Travis, is all in good serviceable condition.

To enable it to give better service, applicant has purchased the following new equipment:

October 1,	one 48-h.p. Packard, 15-passenger, valued at	$5,500 00
October 1,	one 45-h.p. White, 15-passenger, valued at	6,500 00
October 1,	one 30-h.p. White, 18-passenger, valued at	5,500 00
October 15,	one 45-h.p. White, 18-passenger, valued at	7,000 00
October 20,	one 40-h.p. Shaw, 15-passenger, valued at	6,000 00
December 1,	one 20–45-h.p. White, 15 passenger, valued at	8,000 00
December 10,	one 20–45-h.p. White, 18-passenger, valued at	8,500 00
Total		$47,000 00

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W. E. Travis, president of the Star Auto Stage Company, testified that the $47,000 represented the cost of the equipment.

In its original application, applicant asked permission to issue $50,000 (500 shares) of stock at $85 per share to pay for the new equipment, and $50,000 (500 shares) of stock at $80 to pay for the equipment formerly owned by George S. Held and Clarence L. Simonds. At the hearing on this application, applicant requested permission to issue all of the $100,000 (1000 shares) of stock at $80. Permission to issue the stock at $80 per share was asked upon the ground that applicant's net earnings were not as large as at the time the application was filed. Since the hearing on this application, the Commission has authorized applicant to increase its rates. The action of the Commission in this respect, together with the continued use of the additional equipment referred to in this application, should result in an increase in applicant's net earnings. It does not follow from the fact that the Commission has upon a former occasion authorized applicant to issue stock at $80 that similar action should be taken in subsequent proceedings when the facts in such proceedings are materially different. The order herein will provide that applicant may issue $100,000 of stock in full payment of all equipment and properties referred to in this application. None of the stock may be issued unless all of the equipment and properties are turned over to applicant as fully paid for in exchange for the $100,000 of stock.

I herewith submit the following form of order:

ORDER.

Star Auto Stage Company having applied to the Railroad Commission for permission to issue $100,000 of stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant;

It is hereby ordered, that Star Auto Stage Company be and it is hereby authorized to issue $100,000 of its common capital stock in full payment for all the automobile equipment and properties referred to in this application, provided that none of said stock be issued unless all of the automobile equipment and properties referred to in this application are transferred to applicant as fully paid in exchange for the $100,000 of stock.

The authority herein granted is subject to further conditions as follows:

1. Star Auto Stage Company shall keep such record of the issue, sale and delivery of the stock herein authorized and of the disposition of the proceedings as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's

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General Order No. 24, which order, in so far as applicable, is made a part of this order.

2. The authority herein granted will apply only to such stock as may be issued, sold and delivered on or before July 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of March, 1921.

DECISION No. 8751.

IN THE MATTER OF THE APPLICATION OF RUSSIAN RIVER WATER COMPANY TO ACQUIRE FROM HUGH BREEN AND MARY BREEN, HIS WIFE, THE OPERATIVE PROPERTIES USED IN CONNECTION WITH SERVING WATER TO THE PUBLIC IN AND ADJACENT TO MONTE RIO, SONOMA COUNTY, CALIFORNIA.

Application No. 5720.

Decided March 16, 1921.

A. F. Lemberger, for Applicant.

BY THE COMMISSION.

OPINION.

Russian River Water Company, an incorporated public utility, applies in this proceeding for authority to purchase from Hugh Breen and Mary Breen, his wife, a certain water system owned and operated by them in Sonoma County, and to issue its stock at par in payment therefor in such amount as shall be fixed by appraisal of the Railroad Commission. Hugh and Mary Breen have joined in said application and subscribed to all the facts set out therein as the parties desiring to sell said system and properties, said properties being more particularly described in an inventory and proposed bill of sale attached to the application and made a part thereof.

A public hearing was held in this matter before Examiner Satterwhite at Monte Rio.

It appears that the system in question, hereinafter sometimes referred to as the Breen system, is so situated that Russian River Water Company proposes to and can advantageously connect said system directly with its present water system, thereby improving service conditions and increasing the water supply, which has heretofore at times been inadequate to meet the demands of the consumers of the Breen system.

For the purpose of determining the amount of stock to be issued in payment for the Breen system, an appraisal of the properties was

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submitted at the hearing by Mr. H. A. Noble, one of the Commission's hydraulic engineers. In addition to the structural properties there is included in the transfer certain rights of way and easements for pipe mains and tank sites at present utilized and reserved for possible future extensions or changes in the system. There is also included a parcel of land for a tank site of dimensions 175 by 100 feet.

After a careful consideration of all the evidence and facts set forth it is found that $800 represents the fair value of this system for the purposes of this proceeding. We are of the opinion that for the purpose of acquiring these properties, Russian River Water Company should be permitted to issue $800 par value of its common stock.

ORDER.

Russian River Water Company having applied to the Railroad Commission for permission to acquire from Hugh Breen and Mary Breen, his wife, certain operative properties used in connection with serving water to the public in and adjacent to Monte Rio, Sonoma County, and said Hugh Breen and Mary Breen having joined in said application; a public hearing having been held and the Commission being of the opinion that the application should be granted and that the Russian River Water Company be permitted to issue $800 of its common stock in payment for said Breen system, and it appearing that the expenditures for the purpose of acquiring said properties are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Hugh Breen and Mary Breen be and they are hereby authorized to sell, and Russian River Water Company to purchase at a cost of $800, free and clear of all liens and encumbrances, those certain structures, mains and rights of way comprising the present operative water properties of what is known as the Breen system, said properties being more particularly described in an inventory which was submitted for the purposes of this proceeding, said sale and transfer to be made in accordance with the terms and conditions of the proposed bill of sale attached to the application herein.

It is hereby further ordered, that Russian River Water Company be and it is hereby authorized to issue in full payment for the properties which it is herein authorized to purchase $800 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued in payment for the properties which Russian River Water Company is herein permitted to acquire shall not be urged before this Commission or any other public body as a finding of value of said properties for rate fixing or any purpose other than the transfer herein permitted.

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2. Russian River Water Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. Within fifteen (15) days after the transfer of the properties herein authorized is effected, a certified copy of the instrument of conveyance under which Russian River Water Company receives and holds title to the properties shall be filed with the Commission.

4. Within ten (10) days from the date on which Hugh and Mary Breen shall have relinquished possession and control of the public utility properties herein authorized to be transferred, said parties shall file with the Railroad Commission a certified statement setting forth the date on which such possession and control was actually relinquished.

5. The authority herein granted to transfer properties and issue stock will apply only to such properties as may be transferred and to such stock as may be issued on or before July 1, 1921.

Dated at San Francisco, California, this sixteenth day of March, 1921.

DECISION No. 8752.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, AND MT. SHASTA POWER CORPORATION, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING THE EXECUTION OF A MORTGAGE AND THE ISSUANCE OF BONDS.

First Supplemental Application No. 6387.

Decided March 16, 1921.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Good cause appearing:

It is hereby ordered, that the provision of the order in Decision No. 8724, dated March 10, 1921, reading:

"*It is hereby further ordered*, that Pacific Gas and Electric Company may execute, issue and deliver in exchange for interim certificates sold under the authority granted in Decision No. 8446, dated December 20, 1920, $10,000,000 of its first and refunding mortgage 7 per cent 20-year gold bonds, said bonds to be sold for not less than 93½ per cent of their face value and accrued interest and all proceeds held on deposit in a bank or banks in a special account until the expenditures of said proceeds, or any part thereof, is authorized by the Railroad Commission."

be and it is hereby amended and modified so as to read:

"*It is hereby further ordered*, that Pacific Gas and Electric Company may execute, issue and deliver in exchange for interim certificates sold under the authority granted in Decision No. 8446, dated December 20, 1920, $10,000,000 of its first and refunding

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mortgage 7 per cent 20-year gold bonds, said bonds to be sold for not less than 93½ per cent of their face value and accrued interest and all proceeds held on deposit in a bank or banks or held on deposit with National City Company in a special account or accounts until the expenditures of said proceeds, or any part thereof, is authorized by the Railroad Commission."

It is hereby further ordered, that the order in Decision No. 8446, dated December 20, 1920, as amended, shall remain in full force and effect, except as modified by this second supplemental order.

Dated at San Francisco, California, this sixteenth day of March, 1921.

DECISION NO. 8755.

IN THE MATTER OF THE APPLICATION OF CONTRA COSTA GAS COMPANY, A CORPORATION, FOR A REVISION OF ITS RATES.

Application No. 6328.

Decided March 17, 1921.

GAS RATES—INCREASES IN—SERVICE CONDITIONS CONTROLLING.—An analysis of applicant's present operating conditions showing that under existing rates it could earn a return of 1.57 per cent by the practice of strict economy and through improvements in the efficiency of its gas production plant, an increased schedule of rates will not be made effective until applicant has submitted proof and an inspection by the commission has shown that service has been improved to the extent that its value will justify the increased rates.

S. Waldo Coleman, for Applicant.

A. F. Bray, City Attorney, for the City of Martinez.

Mathew Ward, City Attorney, for the City of Antioch.

R. N. Wolfe, City Attorney, for the City of Pittsburg.

BY THE COMMISSION.

OPINION.

The Contra Costa Gas Company, hereinafter referred to as the company or applicant, is a corporation engaged in the business of manufacturing, distributing and selling artificial gas in a territory including the incorporated cities and towns of Antioch, Concord, Martinez and Pittsburg, the town of Crockett and certain contiguous unincorporated territory in Contra Costa County. This company in its application alleges that the greater price it will have to pay for oil and other increased operating expenses due primarily to higher wages and salaries, will deprive it of a reasonable return upon the money actually invested in its business and that subsequent to December 31, 1920, this return will be so inadequate that unless relief is granted the applicant will be powerless to properly perform its duties as a public utility. For these reasons the company asks the Commission for an order authorizing an increase in its rates to a point where the return will be sufficient to pay full cost of service, including a reasonable allowance for depreciation and yield a reasonable return on the applicant's investment.

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A public hearing was held before Examiner Satterwhite at which evidence was taken, and the matter has been submitted for decision.

The present rates were established by Decision No. 6975, decided December 19, 1919. In that decision the Commission found that $310,000 was the proper allowable capital for a rate base. During 1920 the company has expended $55,951 in additions and estimates that $10,000 will be added to the physical capital by improvements during 1921. Using the average physical value for 1921 and making reasonable allowance for materials and supplies and working cash capital the Commission finds that a fair rate base is $356,176.

Decision No. 6975 granted an increase in rates upon the showing that the price of oil would increase from $1.70 to $1.85 per barrel and that increases in other operating costs would occur. The company, however, was able to make a contract for a supply of oil for a portion of the year at $1.63 per barrel. Upon the basis of the estimates used therein the applicant should have been able to save approximately 8 cents per thousand sold, but other expenses increased correspondingly, thus practically absorbing the saving from lower cost of oil.

Analysis of the 1920 operating costs reveals the fact that there has been a steady increase in expenses in all departments and that the item of cost of oil for production has reached a figure which is considered excessive by the Commission's engineers. Apparently this high consumption of oil is due to unaccounted-for gas. In consideration of the fact that the company's meters, mains and services are comparatively new and that the generating plant is modern, a limit of 13¼ gallons per thousand sold is considered reasonable for 1921 consumption. This reduces the amount estimated by the applicant for this purpose to $44,520.

The applicant requests $10,500 annual depreciation. Compared with previous estimates made by this Commission and the general records of depreciation applicable to gas properties of this character, we find that an annuity of 2¾ per cent on the depreciable property, or $8,900 for the year 1921, will be reasonable.

The following table sets forth the Commission's estimate of expenses and return for 1921 with the present rates:

Estimated Revenue and Expenses Contra Costa Gas Company, Year 1921.

Gross operating revenue		$120,645 00
Gross operating revenue per thousand		1 915
Operating expenses:		
Production oil	$44,520 00	
Production other	20,668 00	
Transmission	5,423 00	
Distribution	7,644 00	

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Commercial	12,866 00
General and miscellaneous expenses	4,936 00
Taxes	9,200 00
Uncollectible accounts	900 00
Total	$106,157 00
Depreciation	8,900 00
Total	$115,057 00

Net for return, $5,588.
Rate for return on rate base of $356,176, 1.57 per cent.

In this estimate the cost of oil was calculated at $2.24 per barrel, which is the present market price.

The estimated rate of return for the year 1921 under the existing rates is, as stated above, 1.57 per cent upon the rate base. This rate of return can be earned only by the strictest economy on the part of the company and improvement in the efficiency of its gas production plant. It is evident that the rates for gas must be increased if the company is to continue to render adequate service to the territory at present served.

Applicant requests rates sufficient to give it a net return of 8.4 per cent on the rate base. The evidence in this case indicates that on account of the quality of service rendered in the past and the present cost of gas some consumers are discontinuing the use of gas, and it is the opinion of the Commission that the value of service is such that applicant cannot expect to earn a return of 8.4 per cent under existing conditions; that to increase rates sufficient to attempt to make this return would result in loss of business and a charge to consumers in excess of the reasonable value of the service. With adequate service applicant should be in a position to earn a return of approximately 7 per cent upon its investment and the consumers of applicant must expect to pay rates sufficient to result in such a return if reasonable service is rendered. The price for gas herein fixed is not prohibitive if the gas is used efficiently, but the efficiency of use of gas depends largely upon the character and quality of service rendered by a utility.

The present rates, which were fixed by this Commission in Decision No. 6975, were based upon the understanding that the Contra Costa Gas Company would fully comply with the standards of gas service as prescribed by the Commission's General Order No. 58. The investigations made by the Commission's gas service inspector show that applicant has not complied in full with the standards prescribed by the Commission and that service has not been entirely satisfactory. The result of this failure to render adequate service has been the complaint filed by the residents of the town of Crockett, Case No. 1499, in which complainants request a credit on their bills, and also some loss of consumers on the rest of the company's system. Applicant's service must be brought to standard before further increases in rates are authorized.

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In view of the above facts the rates herein proposed will not be made effective until applicant has submitted proof and an inspection by the Commission's gas engineers shows that it is in a position to render service of value which will justify the rates which are herein prescribed.

ORDER.

Contra Costa Gas Company having applied for authority to increase its rates and charges for gas, a public hearing having been held, the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the present rates charged for gas service by Contra Costa Gas Company are not fair and reasonable rates and that the rates herein established are just and reasonable rates for the service of gas by Contra Costa Gas Company when such service complies with the specifications and standards prescribed by the Railroad Commission.

Basing its order on the foregoing findings of fact and the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Contra Costa Gas Company be and it is hereby authorized to charge and collect the following schedules of rates for gas service rendered when said company has obtained from this Commission a supplemental order finding that the quality of service rendered has been improved to comply with the standards prescribed by the Railroad Commission of the State of California:

Schedule No. 1.

		Gross	Net
First	400 cubic feet or less per meter per month	$1 35	$1 25
Next	3,600 cubic feet per meter per month, per M cubic feet	2 35	2 25
Next	4,000 cubic feet per meter per month, per M cubic feet	2 00	1 90
Next	7,000 cubic feet per meter per month, per M cubic feet		1 65
All over	15,000 cubic feet per meter per month per M cubic feet		1 40

The net rate is effective if the bill is paid at the office of the company on or before the tenth day of the month next succeeding that for which the bill is rendered. Otherwise the gross charge applies.

Schedule No. 2.

Prepay meter service.

Rate, $2.40 per thousand cubic feet.
Minimum charge, $1.25 per meter per month.

Schedule No. 3.

Hotels, restaurants and bakery service.

	Gross	Net
Rate per thousand cubic feet per meter per month	$1 45	$1 35
Minimum weekly charge per meter	8 50	8 00

The net rate is effective if the bill is paid at the office of the company within four (4) days after the presentation of the weekly bill. Otherwise the gross charge applies.

Dated at San Francisco, California, this seventeenth day of March, 1921.

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DECISION NO. 8763.

MRS. RUTH R. HASELTINE ET AL.

vs.

CONTRA COSTA GAS COMPANY, A CORPORATION.

Case No. 1499.

Decided March 17, 1921.

GAS SERVICE—FAILURE OF—REFUND OF AMOUNTS COLLECTED.—Defendant company is directed to credit its consumers in the Crockett district an amount equal to ten per cent of the bills rendered for gas consumed between the regular August and September meter reading periods upon a showing that consumers have been materially damaged through repeated failures in service during hours in which the use of gas is most essential.

A. S. Ormsby, for Complainants.

S. Waldo Coleman, for Defendant.

BY THE COMMISSION.

OPINION.

Mrs. Ruth Haseltine et al., complainants herein, residents of Crockett, Contra Costa County, and consumers of domestic gas sold and delivered by the Contra Costa Gas Company, complain that for thirty days following August 14, 1920, the Contra Costa Gas Company failed to deliver gas for domestic purposes to the complainants during those hours in which the use of gas is most essential and on numerous occasions the failure to deliver said gas extended over periods of from three to six hours; that the gas when supplied was of inferior quality and delivered at an extremely low pressure and that these and numerous other defects of service due to negligent conduct on the part of the defendant caused a damage to the complainants in a sum equal to at least 10 per cent of the consumption of gas during the thirty days period above mentioned. The complainants request that the Commission order the defendant to credit the complainants with a sum equal to 10 per cent of the bills rendered for gas consumed during the thirty days following August 14, 1920.

A hearing in this matter was held before Examiner Satterwhite and the matter submitted.

The defendant has withdrawn its opposition to this prayer and admits its inability to properly serve Crockett and vicinity at that time.

It is evident that the complainants were greatly inconvenienced and did suffer considerable damage, but it is practically impossible to estimate the amount of that damage and it is questionable to what extent the company may be legally held responsible for the full extent of that loss. However, it is certain that at times of poor pressure and frequent interruptions gas cannot be applied economically. Under

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these conditions the consumption of gas is greater than would be required under normal conditions to obtain the same results. It is the opinion of the Commission that the efficiency of the gas delivered under the pressure conditions prevailing at the time in question was not more than 90 per cent of the normal and that, therefore, the company should refund to each of its consumers in Crockett and the contiguous territory thereto an amount equal to 10 per cent of the bills rendered for gas consumed between the regular August and September meter reading periods.

ORDER.

Mrs. Ruth R. Haseltine et al. having made formal complaint against the service rendered by Contra Costa Gas Company, a public hearing having been held, the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the company was not able to render to its consumers in Crockett and contiguous territory proper service during the thirty days following August 14, 1920, and that during this time poor gas pressure was so continuous and interruptions so frequent that the gas supplied could not be used as efficiently as under normal conditions.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Contra Costa Gas Company shall credit each gas consumer within the town of Crockett and contiguous territory thereto with an amount equal to 10 per cent of the bills rendered for gas consumed between the first two regular monthly meter reading periods succeeding August 14, 1920.

Dated at San Francisco, California, this seventeenth day of March, 1921.

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DECISION No. 8769.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES WAREHOUSE CORPORATION FOR ORDER AUTHORIZING ISSUANCE OF STOCK.

Application No. 6294.

Decided March 17, 1921.

STOCK ISSUES—USE OF PROCEEDS FOR NONUTILITY PURPOSES.—In authorizing the issuance of stock by a warehouse utility a portion of the proceeds of which will be used for other than public utility purposes the commission requires the filing of a stipulation approved by the directors of the utility, that it will not hereafter claim, as a value for rate fixing purposes, such amount of the proceeds as may have been expended for nonutility property. Applicant authorized to issue $200,000 par value of stock and assume a mortgage of $40,000, $93,800 par value of such stock to be issued and delivered in part payment for properties to be acquired, the balance to be sold for cash, proceeds to be expended only as provided for under supplemental orders.

Benjamin E. Page, Arthur C. Hurt and *Arthur F. Coe*, by *Arthur F. Coe*, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Western States Warehouse Corporation asks permission to issue 2000 shares ($200,000) of its common capital stock.

Applicant was organized in July, 1920, with an authorized capital stock of $200,000 divided into 2000 shares of the par value of $100 each. It intends to acquire from Los Angeles Tanning Company, which has caused applicant corporation to be organized, properties consisting of real estate, buildings and machinery. The cost of these properties to the tanning company is reported at $133,800.91. The tanning company has agreed to sell and transfer the properties to applicant at cost. The real estate reported to have cost $35,434.13 consists of the entire block on Santa Fe avenue between East Fifteenth street and San Leandro street, having a frontage as follows:

162.98 feet on Santa Fe avenue,
238 feet on San Leandro street,
232.2 feet on East Fifteenth street, and
253.15 feet at the rear.

Two sidings run close up to the warehouse, from which cars can be loaded directly from the floor of the warehouse. On the Fifteenth street side is the Santa Fe siding, and running directly through the center of the property between the main warehouse and the two tannery buildings is the joint siding of the Southern Pacific and Salt Lake railroads.

The buildings reported to have cost $56,130.52 consist of a two-story-and-basement heavy-wall construction warehouse consisting of about 30,000 square feet of floor space, a wooden constructed pullery building of about 100 feet square, a tannery building of about the

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same size, a dwelling house and a shed for wagons or automobiles which is large enough to hold six machines.

The machinery, reported to have cost $42,316.26, consists of boilers and engines for steam power plant, various styles of tanning machines, wool dryers and all necessary equipment for a tanning factory and wool pullery.

The testimony shows that much of the property which applicant intends to acquire will not be used for public utility warehouse purposes. The order herein will require applicant to file with the Railroad Commission a stipulation duly authorized by its board of directors agreeing that it, its successors or assigns, will never ask the Railroad Commission, or any other public body having jurisdiction, to include in a rate base such an amount of the proceeds realized from the stock herein authorized as may be expended for nonpublic utility property.

There is now a 7 per cent $40,000 mortgage on the properties which applicant intends to purchase. The payment of this mortgage indebtedness, applicant asks permission to assume, which if done, leaves a reported equity in the properties of $93,800, against which applicant asks authority to issue stock. Applicant also asks permission to issue stock in the amount of $106,200 for the purpose of refunding the $40,000 indebtedness and pay for improvements, additions and betterments necessary to establish modern storage facilities. The Commission has not been furnished with any detailed information showing the specific purposes for which applicant intends to expend the proceeds realized from the sale of the $106,200 of stock, nor has the Commission been advised when applicant will be in a position to pay off the mortgage indebtedness.

The order herein will permit the sale of the stock subject to the condition that none of the proceeds obtained from the sale of the $106,200 of stock will be expended except for such purposes as the Railroad Commission may authorize in a supplemental order or orders in this proceeding.

I herewith submit the following form of order:

ORDER.

Western States Warehouse Corporation having applied to the Railroad Commission for an order authorizing the issue of 2000 shares ($200,000) of its common capital stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of $93,800 of said stock is reasonably required by applicant at this time, and that the proceeds from the $106,200 of stock should not be expended by applicant except for such purposes as the Railroad Commission may hereafter authorize by a supplemental order or orders herein;

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It is hereby ordered, that Western States Warehouse Corporation be and it is hereby authorized to issue $200,000 of its common capital stock and to assume the payment of a $40,000 mortgage in favor of Mary B. Hook, referred to in this application.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized to be issued, $93,800 may be issued and delivered as part payment for the properties referred to in the foregoing opinion and more particularly described in the petition and testimony in this proceeding. The remaining $106,200 of stock shall be sold by applicant, for cash, at not less than par, provided that applicant may pay a brokerage commission of 7½ per cent cash for all stock sold through a broker.

2. None of the proceeds obtained from the sale of the $106,200 of stock, except such an amount as may be necessary to cover the brokerage commission herein allowed, shall be expended by applicant except for such purposes as the Railroad Commission may hereafter authorize by a supplemental order or orders in this proceeding.

3. Western States Warehouse Corporation shall keep such record of the issue, sale and delivery of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until Western States Warehouse Corporation has filed with the Railroad Commission a stipulation duly authorized by its board of directors declaring that Western States Warehouse Corporation, its successors and assigns, will never ask the Railroad Commission, or any other public body having jurisdiction, to include in a rate base such an amount of the stock, or of the mortgage indebtedness herein authorized to be issued or assumed as may represent or be offset by nonpublic utility properties, and a supplemental order made reciting that such stipulation satisfactory in form has been filed with the Commission.

5. The authority herein granted to applicant to assume the $40,000 mortgage indebtedness is for the purpose of this proceeding only and is intended as an approval of said mortgage only in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

6. The authority herein granted will apply only to such stock as may be issued, sold and delivered on or before November 1, 1921.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of March, 1921.

DECISION No. 8770.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES PUBLIC SERVICE CORPORATION FOR PERMISSION TO FILE A NEW AND REVISED SCHEDULE OF WATER RATES IN THE CITY OF ARROYO GRANDE, SAN LUIS OBISPO COUNTY.

Application No. 4058.

Decided March 17, 1921.

Murray Bourne, for Applicant.

Charles R. Nelson, for Protestants.

BY THE COMMISSION.

OPINION.

Midland Counties Public Service Corporation, applicant herein, asks the Railroad Commission to establish a revised schedule of flat and meter rates for water supplied by it to consumers in the city of Arroyo Grande, San Luis Obispo County. The application alleges in effect that the rates now charged contain certain inequalities which result in discrimination, and that they do not yield a proper and adequate return to applicant.

This matter first came on for hearing in March, 1919, and was considered jointly with Case No. 1253, *F. E. Bennett et al.* vs. *Midland Counties Public Service Corporation.* This complaint involved an allegation that the water supply and system of Midland Counties Public Service Corporation was wholly inadequate and that the service rendered was generally unsatisfactory, all of which was admitted by the company at the hearing.

Subsequent to the hearing, and after considerable investigation of available sources of supply, and the abandonment of two wells which after being drilled proved inadequate, applicant finally secured two new wells on what is known as Needham lane, installed thereon a new pump unit and made extensive improvements in the distribution system, thereby providing an adequate water supply and service satisfactory to complainants. Thereupon said Case No. 1253 was dismissed (Decision No. 8273, dated October 25, 1920).

A further public hearing came on in the above entitled application in December, 1920, before Examiner Satterwhite, at which time additional evidence necessary for rate fixing purposes was taken.

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The present water supply is provided by pumping from the recently bored Needham lane wells. The water is forced directly into the distribution mains and the surplus goes to the 30,000-gallon storage and regulating reservoir. The old sources of supply, namely the three Short street wells and the creek supply, with their respective pump units, are now held as reserve plants for emergency use.

Appraisals of the operative properties were submitted in evidence by Mr. Lloyd Henley, applicant's engineer, and by Mr. H. A. Noble, one of the Commission's hydraulic engineers. The appraisal of applicant's engineer gives the reproduction cost of the system as $33,387, based on historical cost, and that of the Commission's engineer shows an estimated cost of $28,285.

Included in the above appraisals is an item of $1080, the cost of the two abandoned wells mentioned above, which item may properly be considered as development expense.

After analyzing the above appraisals item for item, and taking into consideration the resulting small difference in the totals, and allowing that for the present the said reserve supplies are essential for maintaining good service, it is found that $28,300 is a fair sum upon which return shall be allowed for the purposes of this proceeding. On this basis a depreciation annuity is allowed, computed by the sinking fund method, in the amount of $402.37. This sum, if accumulated annually, is designed to provide a proper fund for the replacement of worn out properties at the end of their usefulness.

The following tabulation compiled from the data submitted, shows the maintenance and operation expenses and the revenues for the past three years:

	1918	1919	1920*
Operating revenue	$2,599 61	$2,719 72	$3,237 78
Maintenance and operation expense	3,563 94	4,379 13	4,022 51

*Estimated on basis of 10 months' actual.

From a study of the present operating conditions, and the requirements that good service be rendered to the consumers, together with an analysis of the operating expenses heretofore incurred by applicant, it appears the sum of $4,000 is a reasonable allowance to include in the annual charges for future maintenance and operation expenses.

The following is a summary of the above items which go to make up the annual charges which should be produced by rates:

Interest on $28,300 at 8 per cent	$2,264 00
Replacement fund	402 00
Maintenance and operation expense	4,000 00
Total	$6,666 00

A recent house survey of water use under this system shows about 220 active services, of which some 186 are for residence use and the irrigation of gardens. There appears to have been an extravagant

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use of water by consumers which may be accounted for, no doubt, by the unrestricted use under a flat rate schedule. There is also considerable evidence of waste due to leaky house fixtures which would undoubtedly be repaired and put in order if service were received and paid for on a measured basis.

Attention is directed to the fact that it is impossible to arrive at an equitable distribution of the expenses of a water system among its consumers under a schedule of flat rates. The benefits to be derived under a metered system are well known and result in a conservation of the water supply, an equitable distribution of the charges according to use and a saving in operation expenses, which for this utility would be chiefly pumping costs.

It is recommended that this utility adopt some plan for a gradual metering of its entire system.

After considering all the data on water use submitted in evidence, the rates set out in the following order are designed to eliminate, so far as possible, any inequalities or discriminations that may exist, require a rate from consumers that is reasonable for the service rendered, and return to applicant the sum of the annual charges set out herein, which are found to be reasonable:

ORDER.

Midland Counties Public Service Corporation having applied to this Commission for an order authorizing it to increase its rates for water supplied in Arroyo Grande, public hearings having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact, that the present rate schedule of Midland Counties Public Service Corporation, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by said company for water.

And basing its order upon the foregoing finding of fact and the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered, by the Railroad Commission of the State of California, that Midland Counties Public Service Corporation be and it is hereby authorized and directed to file with this Commission within twenty (20) days of the date of this order the following schedule of rates, said rates to be charged for all service to its consumers in the city of Arroyo Grande, rendered subsequent to April 1, 1921, and on that date to supersede any and all rate schedules heretofore filed or in effect for service rendered by said company:

Monthly Flat Rates.

1. Residences or tenements of not more than five rooms, occupied by single families	$1.25
For each additional room	.10

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	Additional for each bath tub or flush toilet	.25
	For each private barn, not over two horses or cows	.60
	For each additional horse or cow	.25
	For each private garage where autos are washed on the premises	.25
2.	Private boarding houses, for each boarder, in addition to the family rate	.15
3.	Sprinkling or irrigation of lawns, shrubbery, gardens, etc., per 100 square feet of surface actually watered, payable every month in the year	.025
4.	Offices: For each room so occupied with water tap, except dentists' and doctors' offices	.60
5.	Doctors' and dentists' offices, not exceeding two rooms with water tap	1.50
	For each additional room with water tap	.50
6.	Livery stables and stock or feed yards, per average number of stock fed, for each	.30
	Minimum monthly payment	3.00
7.	Public garages: average 5 autos or less	3.00
	For each additional automobile	.25
8.	Soda fountains, soft drink places and ice cream or lunch parlors, in addition to the store rate	1.50
9.	Barber shops, for single chair	1.50
	For each additional chair	.60
10.	Creameries, bottling works, slaughter houses, laundries and bakeries according to use of water	$2.00 to 8.00
11.	Drug stores, butcher shops, undertaking parlors, photograph galleries, pool rooms	1.50
12.	Restaurants and cafes, per unit of seating capacity	.15
	Minimum charge	2.00
13.	Blacksmith, wagon and repair shops	1.50
14.	Public halls, clubs and lodge rooms	1.50
	Additional for kitchen or buffet in connection therewith	1.00
15.	Small stores or shops not otherwise listed	1.00
16.	Living rooms in connection with stores or shops, additional to store rate	.75
17.	Additional for each toilet or bath tub in 4 to 16, inclusive	.25
18.	Bathing establishments, either alone or in connection with other business:	
	For one public bath tub	1.50
	For each additional bath tub	.50
19.	Building work:	
	For mortar and to dampen brick, per 1000 brick	.25
	For cement work and plastering, each barrel of cement or lime used	.25
20.	Water for hotels, lodging houses, industrial plants or for all purposes and establishments not herein specified, charged for at the meter rates.	
21.	Meters may be installed at the request of any consumer or at the option of the utility.	

Public Use.

1.	For fire hydrants, including water used for extinguishing fires:	
	4-inch hydrants, per month	.75
	2-inch hydrants, per month	.50
2.	Water for sprinkling roads and streets by city or county, measured by wagon tank capacity, per 100 cubic feet	.15
3.	Water for public buildings and grounds and for all other public use not otherwise specified, to be charged for at the regular meter rates.	

Metered Use.

1.	Monthly minimum payments for metered use:	
	For ¾-inch and ⅝-inch meters	1.00
	For 1-inch meters	2.00
	For 1½-inch meters	2.75
	For 2-inch meters	3.50
	For 2½-inch meters	4.50
2.	Monthly quantity rates (per 100 cubic feet):	
	For use between 0 and 400 cubic feet	.25
	For use between 400 and 2000 cubic feet	.18
	For use over 2000 cubic feet	.14

Dated at San Francisco, California, this seventeenth day of March, 1921.

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DECISION No. 8771.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION, FOR AN ORDER AUTHORIZING IT TO PLEDGE BONDS AS SECURITY FOR NOTES.

Supplement to Application No. 6572.

Decided March 19, 1921.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8716, dated March 9, 1921, authorized San Joaquin Light and Power Corporation to issue and sell $7,000,000 of 7 per cent unifying and refunding mortgage bonds or interim certificates of a like amount, subject, among others, to the condition that none of the proceeds be expended until the Commission has authorized the execution of the mortgage or trust deed securing the payment of said bonds; and

Whereas, the Railroad Commission in said Decision No. 8716, dated March 9, 1921, also authorized applicant to deposit with a trustee under the unifying and refunding mortgage, when its execution is authorized by the Commission, $2,625,000 of first and refunding mortgage bonds, which the Commission in Decision No. 8668, dated February 24, 1921, authorized to be issued and deposited as collateral to secure the payment of short term notes; and

Whereas, applicant reports that it has opened negotiations with The Equitable Trust Company of New York, which company is to be trustee under applicant's proposed unifying and refunding mortgage and which is the depositary named in the interim certificates being issued pending the delivery of the unifying and refunding mortgage bonds, for the establishment of a credit of $3,000,000 conditioned upon the deposit with said The Equitable Trust Company of New York of first and refunding mortgage bonds having an aggregate face value of not less than 75 per cent of the amount advanced by the depositary; and

Whereas, applicant asks permission to use the $2,625,000 of first and refunding mortgage bonds mentioned above, together with $1,125,000 of additional first and refunding mortgage bonds, making a grand total of $3,750,000 as collateral to secure the loan from The Equitable Trust Company of New York; and

It appearing to the Railroad Commission that applicant should at this time be permitted to deposit the $2,625,000 of bonds with The Equitable Trust Company of New York, but that the authority to issue and deposit the additional $1,125,000 of first and refunding mortgage bonds should be covered by a supplemental order or orders after a

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proper showing is made by applicant justifying the issue and deposit of said $1,125,000 of bonds; now, therefore,

It is hereby ordered, that the order in Decision No. 8716, dated March 9, 1921, be and it is hereby amended and modified so as to permit San Joaquin Light and Power Corporation to deposit the $2,375,000 of first and refunding mortgage bonds referred to in said order with The Equitable Trust Company of New York,

Provided that applicant is given a loan of at least $750 for every $1,000 bond deposited; and

Provided further that upon the payment of the notes secured by the deposit of bonds herein authorized, said bonds be returned to applicant's treasury and used for the purpose authorized in Decision No. 8716, dated March 9, 1921, or for such other purpose as the Railroad Commission may authorize; and

Provided further that applicant will use the moneys obtained through the deposit of the bonds to pay

1. The loans secured by the $2,375,000 of first and refunding mortgage bonds, the issue of which was authorized by Decision No. 8668, dated February 24, 1921; and

2. To finance in part the expenditures reported in Exhibit "B" filed in this application, provided the expenditures so financed represent fixed capital as defined by the Commission in its classification of accounts for electric corporations.

It is hereby further ordered, that the order in Decision No. 8716, dated March 9, 1921, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this nineteenth day of March, 1921.

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DECISION No. 8772.

IN THE MATTER OF THE APPLICATION OF UNION HOME TELEPHONE AND TELEGRAPH CORPORATION, LONG BEACH HOME TELEPHONE AND TELEGRAPH COMPANY, SAN BERNARDINO HOME TELEPHONE AND TELEGRAPH COMPANY, AND ASSOCIATED TELEPHONE COMPANY, FOR PERMISSION TO ISSUE STOCKS AND BONDS OF ASSOCIATED TELEPHONE COMPANY FOR STOCKS AND BONDS OF UNION HOME TELEPHONE AND TELEGRAPH CORPORATION, AND OTHER PURPOSES; TO PLEDGE AND MORTGAGE SAID STOCK AND BONDS OF UNION HOME TELEPHONE AND TELEGRAPH CORPORATION, AND ALL OTHER PROPERTY OF ASSOCIATED TELEPHONE COMPANY, AS SECURITY FOR SAID BONDS OF ASSOCIATED TELEPHONE COMPANY; TO LEASE PROPERTY OF UNION HOME TELEPHONE AND TELEGRAPH CORPORATION, LONG BEACH HOME TELEPHONE AND TELEGRAPH COMPANY, AND SAN BERNARDINO HOME TELEPHONE AND TELEGRAPH COMPANY, TO ASSOCIATED TELEPHONE COMPANY; TO ASSIGN THE TELEPHONE FRANCHISES OF LONG BEACH HOME TELEPHONE AND TELEGRAPH COMPANY, SAN BERNARDINO HOME TELEPHONE AND TELEGRAPH COMPANY AND UNION HOME TELEPHONE AND TELEGRAPH CORPORATION, TO ASSOCIATED TELEPHONE COMPANY, FOR THE LEASES; AND TO ESTABLISH RATES, RULES, REGULATIONS AND PRACTICES FOR ASSOCIATED TELEPHONE COMPANY.

Application No. 6231.
Decided March 21, 1921.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8685, dated March 3, 1921, authorized Associated Telephone Company to issue bonds and stock to refinance the properties of Union Home Telephone and Telegraph Corporation and to lease the properties of said corporation and certain other properties; and

Whereas, it is recited in said decision that the $75 per $1,000 bond, which the bondholders are required to pay in order to participate in the plan of refinancing, may be paid in cash or through cancellation of interest coupons and waiver of dividend payments; and

Whereas, applicants report that it is not intended to call on any one to waive dividends in order to pay the $75, but that the $75 may be paid in cash or through cancellation of interest coupons; and

Whereas, applicants further report that certain other indebtedness than bonds and unpaid interest coupons will be paid through the issue of the bonds and stock of Associated Telephone Company, if permitted by the Railroad Commission; and

Whereas, applicants also ask the Commission to authorize Associated Telephone Company to issue $25,000 of 6 per cent bonds to refund $25,000 of 5 per cent bonds of Long Beach Home Telephone and Telegraph Company;

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And it appearing to the Commission that applicants have made no satisfactory showing that they can at this time refund the outstanding bonds of Long Beach Home Telephone and Telegraph Company on a basis that will not result in any increase in the interest charges, and the Commission therefore being of the opinion that the order in Decision No. 8685, dated March 3, 1921, should not be so modified as to permit at this time the refunding of the $25,000 of 5 per cent bonds of Long Beach Home Telephone and Telegraph Company through the issue of $25,000 6 per cent bonds of Associated Telephone Company, but that the order should be amended so as to permit the payment of other indebtedness than bonds and interest coupons through the issue of bonds and stock of Associated Telephone Company; and

Good cause appearing;

It is hereby ordered, that Condition "1" of the order in Decision No. 8685, dated March 3, 1921, reading:

"All of the bonds herein authorized to be issued and $511,326 of stock herein authorized to be issued, shall be used for the purpose of refunding the outstanding bonds and stock and certain outstanding interest coupons of Union Home Telephone and Telegraph Corporation referred to in this application."

be, and it is hereby, amended so as to read

"All of the bonds herein authorized to be issued and $511,326 of stock herein authorized to be issued, shall be used for the purpose of refunding the outstanding bonds and stock and certain outstanding interest coupons and other claims against the Union Home Telephone and Telegraph Corporation referred to in this application, said refunding to be carried out in accordance with the terms and provisions of the refinancing plan submitted in this proceeding."

It is hereby further ordered, that the order in Decision No. 8685, dated March 3, 1921, be and it is hereby modified so as to permit the participants in the refinancing plan to pay the $75 per $1,000 bond either in cash or through the cancellation of interest coupons, as provided in said refinancing plan.

It is hereby further ordered, that the order in Decision No. 8685, dated March 3, 1921, shall remain in full force and effect, except as modified by this order.

Dated at San Francisco, California, this twenty-first day of March, 1921.

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DECISION No. 8776.

GEO. A. JOHNSON, ET. AL.

vs.

PORT COSTA WATER COMPANY, A CORPORATION.

Case No. 1417.

Decided March 21, 1921.

W. H. Johnson, for Complainant.

A. E. Shaw, for Port Costa Water Company.

BY THE COMMISSION.

OPINION.

The complaint, which is signed by eighteen patrons of defendant, living in Crockett, Contra Costa County, alleges that they are at times without water for domestic purposes for periods varying from one to twelve hours, and, on occasions, for longer periods, charging failure of service to lack of pressure. The answer denies the allegation, but states that defendant has procured an additional tank at higher elevation to equalize the distribution of water, and has connected with it the services of part of complainants and is proceeding as rapidly as possible to connect the remaining services.

Public hearing upon the case was held by Examiner Westover at Crockett.

At the hearing it appeared that the complaints of thirteen of the eighteen complainants had been satisfied by the reconnection of mains and pipes. Defendant stated that the remaining services would be so connected.

We are advised that as to four of the complainants, the complaint of failure of water on occasions has not been satisfied or corrected.

ORDER.

Public hearing having been held in the above entitled case, the matter being submitted and ready for decision;

It is hereby ordered, that, within twenty days, defendant make the proper pipe connections with its high level tank in order that all of the complainants in above proceeding shall receive adequate and continuous service of water; and within ten days thereafter make verified report describing the connections made and the effect upon service of complainants.

Dated at San Francisco, California, this twenty-first day of March, 1921.

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DECISION No. 8777.

IN THE MATTER OF THE APPLICATION OF EMIL FIRTH FOR AN ORDER AUTHORIZING AN INCREASE OF WATER RATES.

Application No. 6121.

Decided March 21, 1921.

JURISDICTION—WATER SYSTEMS—WHEN PUBLIC UTILITIES.—The claim that a water system constructed for real estate promotion purposes is operated at rates designed to cover operating expenses only and is not operated for profit and therefore is not a public utility as defined by the Public Utilities Act, is not allowed when it is shown that no stock in the water system has been issued, that the consumers are not stockholders, nor have agreements been entered into with purchasers of land with reference to water service.

METERS—SERVICE CONNECTIONS—CHARGES FOR—REFUND OF.—A water utility which has required consumers to pay for meters and service connections has violated the rules of this Commission which require that each water utility shall at its own expense install a service connection of normal size to the property line and all such charges collected subsequent to the effective date of such rule are required to be returned to consumers.

Applicant's water system having been constructed to serve a considerably larger number of consumers than are at present receiving service, a revised schedule of rates established which is considered reasonable for the service rendered, such rates not to become effective until applicant shall have refunded all sums heretofore illegally collected.

E. V. Rosenkranz, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Emil Firth, applicant herein, is engaged in the business of selling and distributing water for domestic purposes in Subdivision Tracts Nos. 2195 and 809, known as Arlington Square, Los Angeles County. In this proceeding applicant asks for an order authorizing an increase in water rates, alleging in effect that his present charges for service are inadequate and do not produce a revenue sufficient to meet operating expenses.

A public hearing was held in this matter at Los Angeles, of which applicant's consumers were duly notified and given an opportunity to appear and be heard.

From the testimony it appears that in 1910 Mr. Firth acquired the water system in question, together with a large tract of land. With the exception of a certain amount of water which has been purchased from the city of Los Angeles during times of emergency, the entire supply is obtained by pumping from a well located on the above mentioned tract of land. The land has been subdivided and the water system developed as a part of a real estate project. Each consumer coming upon the system has been required to pay the entire cost of the connection for his service from the distribution main, including the meter.

The utility serves 85 domestic consumers, there being no service which might be classed as commercial or industrial. Various rates have been charged, it being claimed that the charges were designed to meet oper-

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ating expenses only, and taking this fact as a basis, Mr. Firth contended at the hearing that the system had not been operating as a public utility. However, it appears that no stock in this water system has been issued, and that the consumers are not stockholders therein; also that no written agreements have been made with the purchasers of land with relation to the service of water, and applicant has held himself in readiness at all times to serve all consumers within the area supplied who desired service. Thus, it is obvious that within the meaning of the Public Utilities Act the conditions which actually obtain constitute this system a public utility, and that it is subject to the jurisdiction of the Railroad Commission.

With relation to applicant's practice of requiring that consumers pay for service connections and meters, attention is directed to the fact that this practice is contrary to this Commission's orders. In its Decision No. 2879, in Case 683, dated November 5, 1915, *In the matter of the Practice of Water, Gas, Electric and Telephone Utilities requiring deposits before rendering service* (Volume 8, page 372, Opinions and Orders of the Railroad Commission of California), this Commission held that each water utility in this state "* * * shall at its own expense install a service connection of normal size to the property line or curb line of property abutting upon said public street * * *." Therefore the practice of Emil Firth in charging each consumer for a service connection and meter must be discontinued. Furthermore, such charges of this character as he has made of his consumers subsequent to the effective date of the above mentioned decision should be returned to the consumer, such charges having been collected illegally.

Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, submitted a report embracing a valuation of the used and useful property of this utility, which shows an estimate of the original cost of the system to be $16,662, exclusive of the cost of the service connections and a replacement annuity of $309. The estimated cost of the service connections and meters, installed at the expense of the consumers, is $1,607. This amount should be rebated to the consumers participating in the same. When so rebated the amount should be added to the balance of the investment, making a total of $18,269 as the estimated original cost of the system, and the replacement annuity $354. The applicant submitted a valuation which was stated by him to be a guess. The estimates submitted by the Commission's engineers appear to be reasonable, and will be used for the purposes of this proceeding.

The Commission's engineer estimated the reasonable annual maintenance and operation expense of this system to be the sum of $1,290. Objection has been made by applicant to this estimate, and various statements have been submitted to substantiate his objection.

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The sums suggested by applicant as fair were found upon analysis to include certain items properly chargeable to capital, and also items of an extraordinary nature, not recurring annually nor normally encountered on the system. One item, however, of $17 for additional taxes is a proper allowance and should be included in the maintenance and operation account, increasing this item to $1,307.

When full credit has been given the consumers for funds which they have advanced for service connections and meters, the following is a summary of the annual charges as outlined above:

Interest on $18,269 at 8 per cent	$1,462 00
Replacement fund	354 00
Maintenance and operation expense	1,307 00
Total	$3,123 00

However, evidence shows that the system of this utility is largely overbuilt, embracing a large area of sparsely settled territory, and it would be unfair to the present number of consumers to require them to pay a rate high enough to produce the above annual charges. The total operative revenue from sales of water by this utility during 1919 was $772.35 and for the first nine months of 1920 was $789.40. There has been a substantial increase in the number of consumers during 1920, and it seems fair to assume that this development will continue and that the utility will find itself in a gradually improving economic condition. In the future the revenue derived from each additional service will be large in proportion to the additional expense entailed, and more remunerative, by comparison. The system was designed to serve a large territory and many times the number of its present consumers, and when it reaches that stage of development it will no doubt be on a basis that is financially sound. The schedule set out in the following order is designed to produce an increased revenue and require a payment from consumers which is reasonable for the service rendered.

I submit the following form of order:

ORDER.

Emil Firth having applied to the Railroad Commission for authority to increase the rates charged by him for water, in Tracts Nos. 2195 and 809, county of Los Angeles, a public hearing having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact, that the rates and charges of Emil Firth, in so far as they differ from the rates herein established, are unjust and unremunerative and that the rates and charges herein established are just and reasonable rates.

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And basing its order on the foregoing finding of fact, and the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Emil Firth be and he is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, the following schedule of rates, said schedule to become effective as provided later in this order:

Monthly Meter Rates.

300 cubic feet or less	$1.00
300 to 1000 cubic feet, per 100 cubic feet	.25
1000 to 5000 cubic feet, per 100 cubic feet	.20
All use in excess of 5000 cubic feet, per 100 cubic feet	.15

Monthly Minimum Charge.

⅝-inch meter	$1.00
¾-inch meter	1.25
1 -inch meter	1.50
1½-inch meter	1.75
2 -inch meter	2.00

It is hereby further ordered, that authority to charge and collect the rates herein above specified is expressly conditioned upon the refund or rebate of such funds as are improperly held by this utility to the consumers involved, and the date upon which the above authorized rates shall become effective shall be established by this Commission after a properly certified showing has been submitted to this Commission that the proper refunds or rebates have been made to the proper parties, so far as such parties and sums can be ascertained, with a statement by the utility that it stands ready to make such settlement with any consumer who has by inadvertence or otherwise been omitted from the list of beneficiaries and who can submit proper proof that he is entitled to such rebate.

It is hereby further ordered, that within thirty (30) days from the date of this order, applicant shall file with this Commission, subject to its acceptance and approval, a complete set of rules and regulations governing the service of water on the system in question.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of March, 1921.

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DECISION NO. 8778.

IN THE MATTER OF THE APPLICATION OF TIDEWATER SOUTHERN RAILWAY COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF FORTY-NINE THOUSAND DOLLARS ($49,000) PAR VALUE OF ITS FIRST MORTGAGE FIVE PER CENT THIRTY-YEAR GOLD BONDS.

Application No. 6626.
Decided March 21, 1921.

Lester J. Hinsdale and *James S. Moore, Jr.*, by *James S. Moore, Jr.*, for Applicant.

MARTIN, *Commissioner.*

OPINION.

Tidewater Southern Railway Company asks permission to issue $49,000 of its first mortgage five per cent thirty-year gold bonds and to pledge them with First Federal Trust Company of San Francisco as security for the payment of its one-year six per cent promissory note of like amount.

Tidewater Southern Railway Company is controlled through stock ownership by The Western Pacific Railroad Company. Applicant operates an electric railway between Stockton, San Joaquin County, and Hilmar, Merced County, a distance of about forty-eight miles. Applicant's line of railway passes through Modesto. The franchise secured from the city of Modesto requires, according to Charles Elsey, applicant's secretary, all trains, both freight and passenger, to be operated by electric motive power. At the present time applicant owns only one electric locomotive, which is capable of hauling but four cars at one time. To obviate the necessity of using steam locomotives and to give more adequate service, applicant has purchased from the General Electric Company a 60-ton electric locomotive at a cost of $49,000. It is expected that the locomotive will be delivered on or before June 1, 1921. To secure funds to pay for the locomotive, applicant asks permission to issue and pledge with First Federal Trust Company of San Francisco $49,000 of its first mortgage 5 per cent bonds to secure the payment of a one-year 6 per cent note for $49,000.

I herewith submit the following form of order:

ORDER.

Tidewater Southern Railway Company, having applied to the Railroad Commission for permission to issue and pledge bonds to secure the payment of a promissory note, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue and deposit of the bonds herein authorized, is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

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It is hereby ordered that Tidewater Southern Railway Company be and it is hereby authorized to issue $49,000 of its first mortgage five per cent bonds and to pledge them with First Federal Trust Company of San Francisco to secure the payment of its one-year six per cent promissory note of like amount.

The authority herein granted is subject to the following conditions:

(1) The proceeds from the issue of the note, the payment of which is to be secured by the pledging of the bonds herein authorized, shall be used to pay the purchase price of the electric locomotive described in Exhibit "B" attached to the petition.

(2) Upon the payment of the note, or any portion thereof, all the bonds, or a proper proportion thereof, shall be returned to applicant's treasury, and thereafter not disposed of in any manner whatsoever, except as authorized by the Commission.

(3) Applicant shall file with the Railroad Commission, within thirty days after the issue and deposit of the bonds herein authorized, a copy of the agreement under which the said bonds are deposited.

(4) Tidewater Southern Railway Company shall keep such record of the issue and deposit of the bonds herein authorized as will enable it, within thirty days after such issue and deposit, to file with the Railroad Commission a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(5) The authority herein granted to issue and deposit bonds shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(6) The authority herein granted shall apply only to such bonds as may be issued and deposited on or before July 30, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of March, 1921.

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DECISION No. 8779.

IN THE MATTER OF THE APPLICATION OF W. CROMLIE, CONDUCTING A TELEPHONE EXCHANGE AT AND IN THE NEIGHBORHOOD OF CORCORAN, CALIFORNIA, FOR AN ORDER AUTHORIZING THE ISSUANCE OF PROMISSORY NOTES IN THE AMOUNT OF FOUR THOUSAND FIVE HUNDRED DOLLARS, WITH INTEREST AT EIGHT PER CENT, AND FOR AN ORDER AUTHORIZING W. CROMLIE TO MORTGAGE THE SAID TELEPHONE EXCHANGE PROPERTY AS SECURITY FOR SAID NOTES.

Application No. 6641.

Decided March 21, 1921.

Thos. R. White, for Applicant.

DEVLIN, *Commissioner*.

OPINION.

W. Cromlie, owner of the telephone exchange and appurtenances in the city of Corcoran, Kings County, asks permission to execute a mortgage to secure the payment of $4,500 of serial 8 per cent notes and issue and sell said notes at par. W. Cromlie intends to issue sixteen (16) promissory notes, each in the amount of $281.50, the first note being payable July 15, 1921, and a note of like amount to mature every three months thereafter, the last note being payable April 15, 1925.

Applicant reports that his property consists in the main of a 105 line magneto switchboard connected to outside plant by one 100-pair and one 50-pair lead covered telephone cables, together with necessary appurtenances. Applicant serves the city of Corcoran and the surrounding country within a radio of three miles from the central office and gives connecting service to farmer telephone lines built, owned and maintained by the farmers outside of the city limits of Corcoran. Applicant further reports that his present plant and facilities are inadequate and that it is necessary for him to expend about $4,500 for the installation of an additional section of switchboard, moving the present central office to a new location, for the placing of aerial cable throughout the main portion of the exchange, for removing a small amount of open wire construction, for rerouting lines to provide for additional business and to improve the service. It appears from the record in this proceeding that through the expenditure of the $4,500, applicant will be in a position to give greatly improved telephone service and to take on new subscribers which are now asking for telephone service. At the present time, applicant reports that there are 120 telephones in use.

Applicant has no mortgage on the present plant. A copy of the proposed mortgage is filed in this proceeding. The proposed mortgage is of the usual form.

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I herewith submit the following form of order:

ORDER.

W. Cromlie having applied to the Railroad Commission for permission to execute a mortgage and to issue $4,500 face value of notes, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that W. Cromlie be and he is hereby authorized to execute a mortgage substantially in the same form as the mortgage filed in this proceeding and marked Exhibit "B"; provided, that the approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage as to such other legal requirements, to which said mortgage may be subject.

It is hereby further ordered, that W. Cromlie be and he is hereby authorized to issue promissory notes in the total amount of $4,500, bearing interest at not exceeding 8 per cent per annum, the payment of said notes to be secured by the mortgage herein authorized to be executed.

The authority herein granted is subject to further conditions as follows:

1. The notes herein authorized to be issued shall be sold by applicant at not less than their face value and the proceeds used to pay for the acquisition and construction of the telephone properties described in this application and for the improvement of applicant's service.

2. W. Cromlie shall keep such record of the issue and sale of the serial notes herein authorized and of the use of the proceeds as will enable him to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until W. Cromlie has paid the fee prescribed in the Public Utilities Act.

4. The authority herein granted will apply only to such mortgage as may be executed and to such notes as may be issued, sold and delivered on or before October 1, 1921.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of March, 1921.

DECISION No. 8780.

IN THE MATTER OF THE APPLICATION OF CLEMENS A. FELDMEYER FOR ORDER APPROVING THE SALE AND PURCHASE OF PUBLIC WATER WORKS OF GEYSERVILLE AND SANCTIONING MORTGAGE INDEBTEDNESS THEREOF.

Application No. 6432.

Decided March 21, 1921.

C. A. Feldmeyer, in propria persona.

BY THE COMMISSION.

OPINION.

Clemens A. Feldmeyer asks the Railroad Commission to make an order approving the transfer made on September 25, 1916, of the public utility water system of the town of Geyserville, from Orlando and Emilio Frediani to himself, and approving the issuance of the six per cent promissory note for $3,500 in favor of Wilhelmena Feldmeyer made by him on December 2, 1920. Orlando and Emilio Frediani join in the application so far as it relates to the sale and purchase of property.

A public hearing was held before Examiner Satterwhite on March 12, 1921, at San Francisco.

The testimony herein shows that applicant on September 25, 1916, purchased for $3,500 the water works system in the town of Geyserville, Sonoma County, from Orlando and Emilio Frediani, and that to secure funds for the purchase and development of such property, he executed a mortgage to Wilhelmena Feldmeyer, to secure a total indebtedness of $3,800. Subsequently Mr. Feldmeyer paid $300 of this amount and on December 2, 1920, renewed the balance of the indebtedness by executing a renewal mortgage in favor of Wilhelmena Feldmeyer, securing the payment of a ten year six per cent promissory note in the prinicpal amount of $3,500, a copy of such mortgage being attached to the petition and marked Exhibit "C."

The Commission's Engineering Department, in connection with Application No. 5602, in which Mr. Feldmeyer asked and received per-

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mission to increase rates, investigated the properties involved herein, and estimated the original cost as of September 11, 1920, as $5,277.

Neither the transfer of property nor the execution of the mortgage and notes was authorized by the Railroad Commission and both, therefore, are void under the terms of the Public Utilities Act. It appears that the transfers, execution of mortgage and issue of notes were all made through inadvertence and with no intent to evade the provisions of the Public Utilties Act. As the Commission cannot validate or approve unauthorized transfers of property or executions of mortgages and notes after they have been made, it will be necessary that a new instrument of conveyance and a new mortgage and note be executed, as provided in the order herein.

ORDER.

Application having been made to the Railroad Commission for approval of the purchase of property and the issuance of notes by C. A. Feldmeyer, owner of the water works system in Geyserville, California, a public hearing having been held, and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expense or to income;

It is hereby ordered, that Clemens A. Feldmeyer be and he is hereby authorized to purchase, and Orlando and Emilio Frediani be and they are hereby authorized to sell, the public utility water system and properties in the town of Geyserville described in Exhibit "A" attached hereto;

It is hereby further ordered, that Clemens A. Feldmeyer be and he is hereby authorized to execute a mortgage substantially in the same form as that attached to the petition herein as Exhibit "C," and to issue to Wilhelmena Feldmeyer his ten-year 6 per cent promissory note in the prinicpal amount of $3,500.

The authority herein granted is upon the following conditions:

(1) Clemens A. Feldmeyer, within 60 days after the date hereof, shall file with the Railroad Commission a verified copy of the instrument conveying the property herein authorized to be transferred.

(2) The mortgage and note dated December 2, 1920, in favor of Wilhelmena Feldmeyer, which Clemens A. Feldmeyer executed without an order from the Railroad Commission, shall be returned to him and cancelled, and the mortgage and note herein authorized shall be issued in lieu thereof.

(3) The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission

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has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

(4) The consideration for which applicants are herein authorized to transfer the properties referred to in this decision shall not be urged before the Railroad Commission as a measure of the value of said property for the purpose of fixing rates, or for any purpose other than the transfer herein permitted.

(5) Clemens A. Feldmeyer shall file with the Railroad Commission within thirty days after its execution a certified copy of the mortgage which he is herein authorized to execute.

(6) Within thirty days after its issue, Clemens A. Feldmeyer shall file with the Railroad Commission a copy of the note which he is herein authorized to issue. The filing of a copy of the note will relieve applicant from filing reports under the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(7) The authority herein granted will not become effective until Clemens A. Feldmeyer has paid the fee prescribed by the Public Utilities Act.

(8) The authority herein granted will apply only to such transfer as may be made and to such note as may be issued and to such mortgage as may be executed on or before August 1, 1921.

Dated at San Francisco, California, this twenty-first day of March, 1921.

EXHIBIT "A."

The property authorized to be sold and transferred by the order preceding this exhibit, is described by applicants in Exhibit "B," filed in this proceeding, as follows:

First—The public water works system in the town of Geyserville, county of Sonoma, State of California, consisting of reservoir, pipe lines, rights of way, pumping machinery, and all tools and equipment of every kind and nature used in and about said water works system; and

Second—All the rights and easements and privileges incident to or arising out of a certain agreement dated March 18, 1911, made between B. W. Feldmeyer and A. J. Bailly, which said agreement was recorded on the twenty-first day of March, 1911, in the office of the county recorder of the county of Sonoma, State of California, in book O of Agreements at page 150; and

Third—All the rights and easements and privileges arising out of or incident to a certain agreement dated June 9, 1904, and made and entered into by Ruby Nerz and John Nerz and Clemens Feldmeyer, which said agreement was on the fifth day of January, 1907, recorded in the office of the county recorder of the county of Sonoma, State of California, in book "L" of Bonds and Agreements at page 52; and

Fourth—All the rights and easements and privileges arising out of or incident to a certain agreement dated September 18, 1907, and made and entered into between Spruce Vaughn and Laura Vaughn and Clemens Feldmeyer, giving to said Feldmeyer the right to lay and maintain water pipes; and

Fifth—All the rights and easements and privileges arising out of or incident to a certain agreement dated December 22, 1904, and made and entered into between

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C. P. Moore and Naomi J. Moore, and C. A. Feldmeyer, to lay and maintain water pipes and to dig and maintain wells, etc.; and

Sixth—All of the rights and easements and privileges arising out of or incident to a certain resolution duly passed and adopted by the board of supervisors of the county of Sonoma, State of California, on the eleventh day of March, 1911, authorizing C. A. Feldmeyer, his heirs, executors, administrators and assigns, to lay and maintain in the streets, lanes and alleys, and public ways in the town of Geyserville, in the county of Sonoma, State of California, water pipes for the distribution of water in the said town of Geyserville and thereabouts; and

Seventh—All other rights, privileges and easements owned or used by any of the parties of the first part in connection with the conservation and distribution of water in the said town of Geyserville, or incident thereto.

It is understood and agreed that no land is hereby conveyed to said party of the second part and that no easements, rights or privileges in land are hereby conveyed to him except such as are hereinabove expressly mentioned.

All said easements, rights, privileges and personal property were acquired by said parties of the first part by deed to them from Edward S. Bailly et al., dated November 27, 1914, and recorded on December 4, 1914, in the office of the county recorder of Sonoma County, State of California, in liber 328 of Deeds, at page 224.

DECISION No. 8781.

PASTORINO AND FERRARO

vs.

CHARLES LANG.

Case No. 1323.

Decided March 21, 1921.

JURISDICTION—WATER SERVICE—DEDICATION OF USE.—The fact that an owner of a reservoir permitted two individuals to take water therefrom through a ditch maintained by themselves is not sufficient to show a dedication of the property to public use, and the Railroad Commission exceeded its jurisdiction in directing that defendant continue to supply complainants with water. Prior order vacated and complaint dismissed.

Carr and Kennedy, for Complainants.

W. D. Tillotson, for Defendant.

BY THE COMMISSION.

OPINION ON PETITION FOR REHEARING.

Defendant seasonably petitioned for a rehearing after decision, principally upon the ground that the Commission exceeded its jurisdiction in entering the original order herein, in that defendant is not engaged in conducting a public utility for service of the public.

As will be seen from the original opinion, defendant's reservoir supplies water for complainants only, and they lead the water from it in a small ditch maintained by them.

It is apparent that complainants relied upon the continued use of the water to develop their lands, orchards and vineyards and that these

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improvements were made with the knowledge of defendant. Whether or not any estoppel resulted, we conclude is a question to be determined only by the courts. The evidence is not sufficient, in our judgment, to show a dedication of the property to public use. The order must, therefore, be set aside.

As appears from the answer, defendant does not object to the use of the water so long as such use is not made a permanent burden upon the land, which might interfere with its sale or fuller development. It is probable that the parties can reach a satisfactory agreement for continued service under private contract.

ORDER.

It appearing from the petition for rehearing that the Commission exceeded its jurisdiction in entering the original order herein, and that a public hearing upon the petition for rehearing is not necessary:

It is hereby ordered, that the original order herein contained in Decision No. 6765 of October 22, 1919, be and it is hereby set aside and vacated and that the complaint be dismissed.

Dated at San Francisco, California, this twenty-first day of March, 1921.

DECISION No. 8783.

IN THE MATTER OF THE APPLICATION OF THE MARYSVILLE WATER COMPANY, A CORPORATION, FOR AN ORDER FIXING RATES FOR WATER.

Application No. 5831.

Decided March 26, 1921.

BY THE COMMISSION.

SUPPLEMENTAL OPINION.

This Commission in its Decision No. 8696 in the above entitled matter, dated March 4, 1921, established a certain schedule of rates to be charged by the Marysville Water Company for the service rendered by it to its consumers. Subsequent to the rendition of this decision a study of the record disclosed that certain elements of expense of this water company had not been included in the annual charges set forth in the above mentioned decision. Furthermore, the city of Marysville requested that this Commission defer the effective date of the rate established for the service rendered to it until July 1, 1921. It therefore appears advisable that the order heretofore made be modified in some respects.

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By stipulation applicant was permitted to file subsequent to the hearing certain statements regarding the increase in taxes which it would have to pay in the future based on the 1920-21 tax assessment. It now appears that in the annual charges computed by the Commission, after allowing for that on non-operative property, a sufficient increase in taxes had not been included. Furthermore, certain additional salary increases have been made by the company which were not included in the annual charges, which, however, were included in the above mentioned stipulation. We wish to direct attention to the fact that while all of these increases were not specifically included, the Commission did include in the amount set forth by it certain sums partially covering the increases referred to, besides allowing for increases in certain other items. It is equitable, however, that a further allowance should be made in the annual charges for above mentioned increases actually incurred, and that a slight alteration should be made in the rate schedule established to meet these items. We desire to point out, however, that the past few years, which have been years of abnormally light rainfall, have increased the use of water for irrigation of gardens, lawns, etc., very materially, with consequent increased pumping costs; and further, that the high prices of labor and material which obtained during the past two years are now declining. A further saving in the cost of operating can undoubtedly be effected by a campaign among applicant's consumers to reduce the waste of water. Such campaigns have been very effective in other cities throughout the state.

Admittedly it is a very difficult matter to compute a rate schedule on a flat rate basis which will exactly yield the revenue which it is designed to produce. As a matter of fact, the exact income can only be obtained after the utility has actually applied the rates established to the individual consumers and totaled these charges. Attempts to compute rates by a general classification of the consumers invariably result in a lower estimated income than will be actually received by the company when the rates are put into operation.

In view of these added charges to be produced by rates, it appears fair that the municipality should bear a portion of these increased annual charges. A careful analysis of the situation shows that otherwise the domestic consumer would be bearing more than his fair share. However, it appears reasonable that the collection of this charge by the utility should be deferred until July 1, 1921, in order that the municipality may make provision in its budget for this increased sum to be paid by it.

The rate schedule established in the following order will in our opinion provide a fair and just revenue for this utility, and is designed,

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in so far as is possible with flat rates, to equitably apportion the expense among the consumers.

SUPPLEMENTAL ORDER.

This Commission having heretofore rendered its Decision No. 8696, dated March 4, 1921, in the above entitled matter, and it appearing that certain alterations and modifications should be made in the schedule of rates established therein, and the Commission being fully apprised in the premises:

It is hereby found as a fact, that the rate schedule established herein is a just and reasonable rate schedule to be charged by The Marysville Water Company for water;

And basing its order upon the foregoing finding of fact, the findings of fact set out in Decision No. 8696, *supra*, and the further statements of fact contained in the opinion preceding this order;

It is hereby ordered, by the Railroad Commission of the State of California, that The Marysville Water Company be and it is hereby authorized to file with the Railroad Commission within twenty (20) days of the date of this order, the following schedule of rates, said schedule of rates to supersede the schedule established in Decision No. 8696 and be effective as provided therein, notably for all bills rendered on or subsequent to March 25, 1921, except as otherwise herein specified; provided, however, that the company may for convenience make the schedule herein established effective as to individual consumers at any time within twenty (20) days subsequent to the above effective date:

RATE SCHEDULE.

Measured Use.

1. Minimum monthly payments:	
For ¾-inch and ⅝-inch meters	$1 00
For 1 -inch meters	2 50
For 1¼-inch meters	3 25
For 1½-inch meters	4 00
For 2 -inch meters	4 75
For 2½-inch meters	5 50
For 3 -inch meters	6 50
2. Monthly quantity rates:	
For use between 0 and 1000 cubic feet, per 100 cubic feet	$0 25
For use between 1000 and 3000 cubic feet, per 100 cubic feet	18
Over 3000 cubic feet, per 100 cubic feet	12

Public Use.

1. For fire protection service, including water used solely for the extinguishment of fires which may be drawn from not over 75 fire hydrants and the 19 fire cisterns, which latter fixtures are owned and maintained by the city, per month	$300 00
Additional for each hydrant over 75, per month	1 00

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2. Water used for sprinkling roads and streets by the city or county, and flushing of sewers, by computed or measured quantity, per 100 cu. ft. 12
3. All other use of water by the city or county, including municipal and county buildings and irrigation of parks and grounds, at the regular meter rates.

Monthly Flat Rates.

1. Residences and tenements of 5 rooms or less, occupied by a single family	$1 50
For each additional room	15
Additional for each flush toilet or bath tub	25
For each private garage, for one automobile	50
For each additional automobile	25
For each private barn with not more than two horses or cows	65
For each additional horse or cow	30
2. Private boarding houses, for each roomer or boarder, additional to the family rate	10
3. Sprinkling or irrigation of lawns, shrubbery, gardens, etc., payable every month in the year; per 100 square feet of surface watered	03
4. Restaurants and cafes, per unit of seating capacity	12
Minimum charge	3 00
5. Offices: Rooms in upper stories of buildings so occupied, for each room with water tap except doctors' and dentists' offices	1 00
6. Doctors' and dentists' offices, not exceeding two rooms with water tap	2 50
For each additional room with water tap	50
7. Drug stores	$2.25 to 5 00
8. Photograph galleries, or where water is used for commercial developing and printing, in addition to the rate for store or premises	3 00
9. Barber shops, for single chair	2 00
For each additional chair	75
10. Soda fountains, soft drink places, and ice cream or lunch parlors either alone or in connection with other business	$2.00 to 5 00
11. Bakeries, butcher shops and retail markets	2 25
12. Livery and sales stables or stockyards, per each of the average number of stock fed	35
Minimum payment	3 00
13. Public garages, average 6 autos or less	3 50
For each additional automobile	30
14. Blacksmith, wagon and repair shops where water is used for cooling tires, etc.	2 50
15. Public halls, clubs or lodge rooms	1 75
Additional for buffet in connection with	2 00
16. For ordinary stores and shops not otherwise listed, according to use of water	$1.00 to 4 00
17. For use of hose in front of stores and shops for washing windows and sprinkling sidewalks, streets, etc., according to frontage	25 cents to 1 25
18. Living rooms in connection with stores or shops, additional to store rate	75
19. Additional for each toilet or bath tub in 5 to 16, inclusive	35
20. Bathing establishments, either alone or in connection with barber shops, for one public bath tub or shower	2 00
For each additional bath tub or shower	60
21. Public drinking fountains in any place, each	1 00
22. Automatic or ordinary flush urinals, according to the use of water, each	50 cents to 3 00
23. Building works:	
For mortar and to dampen brick, per 1000 brick	25
For cement work and plastering, each barrel of cement or lime used	25
24. Water used by hotels, lodging houses and laundries and for all other purposes or establishments not herein specified to be charged for at meter rates.	
25. Meters may be installed at the request of any consumer or at the option of the utility.	

It is hereby further ordered, that in all other respects except as herein provided, said Decision No. 8696 shall remain in full force and effect.

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It is further ordered, that the rates and charges relating to the city of Marysville shall be and become effective as of July 1, 1921.

Dated at San Francisco, California, this twenty-sixth day of March, 1921.

DECISION No. 8785.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS FOR AUTHORITY TO PLEDGE AS COLLATERAL SECURITY ITS GENERAL LIEN MORTGAGE BONDS.

Application No. 6681.

Decided March 26, 1921.

M. M. Bourquin and *A. L. Whittle*, by *A. L. Whittle*, for Applicant.

DEVLIN, *Commissioner.*

OPINION.

San Francisco-Oakland Terminal Railways asks for authority to issue and pledge $18,000 of its general lien mortgage bonds.

Applicant reports that on December 2, 1920, a judgment was entered against it in the superior court in and for the county of Alameda for the sum of $9,500 and costs in an action brought by S. M. Unger, plaintiff, to recover damages for personal injuries. In the opinion of applicant's attorneys, good grounds exist for the reversal of the judgment, and applicant, therefore, desires to appeal from said judgment to the supreme court of the State of California. To provide for a stay of execution, it will be necessary for applicant to file an undertaking on appeal and stay bond in the sum of $20,055.

Massachusetts Bonding and Insurance Company, applicant reports, has expressed a willingness to act as surety on the undertaking on appeal and stay bond, provided that applicant deposit with it a certificate of deposit from Central National Bank of Oakland in the sum of $11,050. To enable it to make this deposit, applicant intends to borrow from Central National Bank of Oakland $11,050 to be represented by its six per cent demand note, and to secure the payment of such note by the deposit of $18,000 of its general lien mortgage bonds.

The testimony shows that the general lien mortgage bonds which applicant desires to pledge will be deposited under a collateral pledge agreement, a copy of which is attached to the petition and marked Exhibit "B," which provides that only in the event that San Francisco-Oakland Terminal Railways shall fail to pay the note it intends to issue and only after the bank shall have exercised its banker's lien

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on money on deposit to the credit of applicant, shall the general lien mortgage bonds be offered for sale, and that upon the payment of the principal and interest of the note, the bonds herein authorized to be pledged as collateral will be returned to applicant.

In Decision No. 1604, dated June 23, 1914 (Volume 4, Opinions and Orders of the Railroad Commission of California, page 1290) the Commission authorized San Francisco-Oakland Terminal Railways to issue $1,000,000 of its general lien mortgage bonds as collateral security for the issue of notes in the aggregate amount of $650,000. In Exhibit No. "1" applicant reports that on March 24, 1921, $700,000 of said general lien bonds were pledged as security, $234,000 were in the hands of the treasurer of the company, and $66,000 were held by Mercantile Trust Company, trustee.

Under the circumstances set forth in the petition and as explained at the hearing, I recommend that this application be granted, and herewith submit the following form of order:

ORDER.

San Francisco-Oakland Terminal Railways, having applied to the Railroad Commission for authority to issue and pledge $18,000 face value of its general lien mortgage bonds for the purpose set forth in the foregoing opinion, a public hearing having been held, and the Railroad Commission being of the opinion that this application, subject to the conditions herein contained, should be granted;

It is hereby ordered, that San Francisco-Oakland Terminal Railways be and it is hereby granted authority to issue and pledge $18,000 face value of its general lien mortgage bonds with the Central National Bank of Oakland, as collateral security for the payment of a 6 per cent demand note, the proceeds of said note to be used in securing a $11,050 certificate of deposit, said certificate to be deposited with the Massachusetts Bonding and Insurance Company, which has agreed to act as surety on an undertaking on appeal and stay bond in a case entitled *S. M. Unger,* Plaintiff, vs. *San Francisco-Oakland Terminal Railways,* a corporation, Defendant.

The authority herein granted is subject to further conditions as follows:

1. The bonds herein authorized to be issued and pledged shall be pledged under an agreement substantially in the same form as the agreement filed in this proceeding and marked "Exhibit B."

2. Upon the return to applicant of the bonds herein authorized to be issued and pledged, they shall be issued only upon further order from the Commission.

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3. Applicant shall file with the Railroad Commission within ten days after its execution a copy of each and every agreement under which any of the bonds herein authorized to be pledged are deposited.

4. San Francisco-Oakland Terminal Railways shall keep a true account relative to the pledging of the bonds herein authorized and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission relative to the pledging of the bonds, in accordance with the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

6. The authority herein granted will apply only to such bonds as may be issued and pledged on or before August 31, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of March, 1921.

DECISION No. 8786.

IN THE MATTER OF THE APPLICATION OF PENINSULAR RAILWAY COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING DISCONTINUANCE OF LESS-THAN-CARLOAD FREIGHT SERVICE BETWEEN ALL POINTS ON ITS LINE.

Application No. 6370.

Decided March 28, 1921.

RAILROAD SERVICE—FREIGHT—LOSS IN OPERATION OF—DISCONTINUANCE.—It is well established by decisions of both courts and commissions that a common carrier can not be compelled to continue indefinitely operations resulting in a loss, particularly where the public served would suffer no loss through such discontinuance due to the operation of other carriers between the same points. Upon a showing by applicant that its less-than-carload freight business has dropped from approximately 10,500,000 pounds to less than 1,800,000 pounds per year in the last four years, and is now being rendered at a considerable loss, it is authorized to discontinue such service as of May 1, 1921.

Louis Oneal and *William P. James*, for Applicant.

Archer Bowden, City Attorney of San Jose, for San Jose.

Norman E. Malcolm, City Attorney of Palo Alto, for Palo Alto.

W. D. Wall, for San Jose Chamber of Commerce.

C. C. Coolidge, District Attorney of Santa Clara County, for County of Santa Clara.

LOVELAND, *Commissioner*.

OPINION.

This is an application filed by the Peninsular Railway Company for authority to discontinue the forwarding and delivering of less-than-carload freight between all points located on its rails.

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The application recites that since 1916 the tonnage has decreased by 83 per cent and the gross revenue by approximately 60 per cent. During the twelve months, May 1, 1915, to April 30, 1916, the total weight of less-than-carload shipments was 10,509,875 pounds, while during the period May 1, 1919, to April 30, 1920, the tonnage amounted to but 1,821,088 pounds, and testimony presented at the hearing was to the effect that the gross weight has been decreasing since April 30, 1920, and is now materially less than during the prior period shown. On some days no freight at all is received, although the carrier has its freight station employees on duty at San Jose and other points prepared to handle traffic. The gross revenue secured at the present time from this class of traffic is less than $10 per day, while the actual out-of-pocket cost for performing the service is in excess of $20 per day, making a net loss, roughly estimated, as between $2,500 and $3,000 per year.

Prior to June 25, 1918, the freight rates of this applicant for movement of less-than-carload shipments was upon a very low basis, the first four class rates being 8, 7, 6 and 5 cents per 100 pounds. In June, 1918, the minimum scale prescribed by the Director General of Railroads in his General Order No. 28 was put into effect, the first four classes being 25, 21, 17½ and 15 cents per 100 pounds. This minimum scale continued until December 12, 1919, when the rates were reduced to 9, 7, 7 and 7 cents per 100 pounds. During the interim, however, shippers transferred their tonnage either to common carrier automobile transportation companies, or hauled the freight themselves and the result of the high scale of rates was to reduce the tonnage handled prior to June 25, 1918, by approximately 60 per cent.

The applicant has, apparently, since the rates were reduced December, 1919, made every effort to secure a return of the traffic, but without satisfactory results; this notwithstanding the fact that its transportation charges are materially lower than the charges assessed by the competing automobile trucks. This situation may be accounted for by reason of the fact that the auto trucks perform a pickup and delivery service at both end of the line. Applicant established the practice, at stations where its tracks run through the main streets of towns, of making curb deliveries in front of the places of business of the consignees. However, the trucks continued to have the advantage, their charge including the picking up of the freight at San Jose, the principal point of shipment, which service this applicant is not in a position to render. The competition suffered through automobile trucks has proven formidable, and with the building of good roads such competition will increase rather than diminish, resulting in further and greater losses, a burden which the passenger service would have to

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carry. There is not now a sufficient tonnage of freight offered to yield even the out-of-pocket cost for performing this branch of the service and, apparently, there is no possible method by which the freight traffic can be increased.

The applicant now has before the Commission another proceeding, by which it seeks authority to readjust certain of its passenger fares. In that proceeding it presented the income and expense account for the twelve months ending December 31, 1920; this statement shows that the total railway operating revenues were $354,416.90, and the total railway operating expenses $356,010.29, leaving a net deficit from railway operations for the year 1920 of $1,593.39. The taxes assignable to railway operations were $18,786.35, leaving a total operating loss of $20,379.74. Its receipts from nonoperative income totaled $34,028.10, making the gross income $13,668.36. The total deductions from gross income, including interest on funded debt of $331,005.11, was $334,458.82, leaving an income loss for the twelve months' period of $320,790.46.

The Commission has made no valuation of the Peninsular Railway, but in Case No. 144 the company submitted a valuation as of June 30, 1914, of the operative property only, amounting to $4,048,798.17. Since June 30, 1914, there have been additions and betterments amounting to $178,822.72, making a total claimed value of the property of $4,227,620.89, upon which there was a gross income, as stated above, available for interest on funded debt, etc., of $13,668.36, or about one-third of one per cent upon the claimed reproduction value of the property.

While the Peninsular Railway was organized in the first instance for both freight and passengers, the service now rendered is primarily that of a passenger line, although the company will continued to handle freight in carload shipments.

Acting upon instructions from the Commission, notice was given the general public through advertisements in the daily press, posting notices in cars and depots, and circularizing all of the shippers regularly forwarding less-than-carload freight. Notwithstanding this wide publicity no one appeared in opposition to the granting of the application.

The territory traversed by this applicant is served almost in its entirety by the Southern Pacific Company, and where there are no stations of the Southern Pacific, automobile truck lines are in operation.

The interests of the public should be protected, but it is well established by commission and court decisions that a common carrier cannot be compelled to continue indefinitely operations resulting in loss, particularly, as in this instance, where the public would suffer no loss by

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reason of the curtailment of the service. In *Brooks-Scanlon Company* vs. *Railroad Commission of Louisiana,* 251 U. S. 396, February 2, 1920, the Supreme Court of the United States said: "A carrier cannot be compelled to carry on even a branch of business at a loss, much less the whole business of carriage." There are many decisions of similar importance, but the one quoted appears to be the latest.

There is no necessity for a continuation of the less-than-carload freight service of this applicant, the entire territory, as heretofore stated, being served by other means of transportation.

I am of the opinion that the application should be granted and submit the following form of order:

ORDER.

The Peninsular Railway Company having made application to this Commission to discontinue receiving and delivering less-than-carload freight at all stations upon its line, the Commission being fully advised in the premises, and being of the opinion that the application should be granted;

It is hereby ordered, that this application be and the same is hereby granted, and that this order will become effective as of May 1, 1921.

It is hereby further ordered, that this applicant post notices at its principal stations setting forth the date upon which the service will be discontinued.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of March, 1921.

DECISION No. 8787.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THAT IT EXERCISE THE RIGHT AND PRIVILEGE GRANTED IT UNDER A FRANCHISE TO CONSTRUCT, OPERATE AND MAINTAIN AN ELECTRIC DISTRIBUTING AND TRANSMISSION SYSTEM WITHIN THE CITY OF SANTA PAULA IN THE COUNTY OF VENTURA, STATE OF CALIFORNIA.

Application No. 6501.

Decided March 28, 1921.

Roy V. Reppy and *B. F. Woodard,* by *B. F. Woodard,* for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Southern California Edison Company asks the Railroad Commission to declare that public convenience and necessity require the exercise by

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applicant of the rights and privileges granted by Ordinance No. 93, passed and adopted December 14, 1920, by the board of trustees of the city of Santa Paula.

A copy of the ordinance has been filed in this proceeding. In general, the ordinance grants to the Southern California Edison Company, its successors and assigns, for a term of fifty (50) years, the right and privilege to construct, maintain and operate electrical transmission and distribution lines in the city of Santa Paula, all subject to the conditions of the ordinance.

Among other things, the ordinance requires applicant, its successors and assigns, to pay during the life of the franchise an amount equal to 2 per cent of the gross annual receipts from the use, operation or possession of the franchise, provided that no payments need be made during the first five years succeeding the date on which the franchise is granted. The franchise or ordinance mentions certain other conditions with which applicant, its successors and assigns, must comply. These conditions are set forth in the ordinance, and it therefore, does not appear necessary to enumerate them in this opinion.

Applicant reports the cost of procuring the franchise at $250 and has filed a stipulation agreeing that neither it, nor its successors, or assigns, will ever claim before the Railroad Commission of the State of California, or any court or other public body having jurisdiction, a value for the franchise in excess of $250.

I herewith submit the following form of order:

ORDER.

Southern California Edison Company having asked the Railroad Commission to declare that public convenience and necessity require applicant, its successors and assigns, to exercise the rights and privileges granted to it by the city of Santa Paula under Ordinance No. 93, passed and adopted on December 14, 1920, by the board of trustees of the city of Santa Paula, a public hearing having been held, and it appearing to the Railroad Commission that public convenience and necessity require the exercise by applicant, its successors and assigns, of the rights and privileges referred to in said ordinance; now therefore,

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The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by Southern California Edison Company, its successors and assigns, of the rights and privileges conferred upon it by Ordinance No. 93, passed and adopted on December 14, 1920, by the board of trustees of the city of Santa Paula.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of March, 1921.

DECISION NO. 8789.

VIC. BURKS AND GEORGE DARRELL

vs.

J. M. GOYKE.

Case No. 1504.

IN THE MATTER OF THE APPLICATION OF J. M. GOYKE FOR PERMISSION TO INCREASE WATER RATES AT LANKERSHIM.

Application No. 6436.

Decided March 28, 1921.

Francis D. Adams, for Complainants.

Mark L. Herron, for Defendant.

J. M. Goyke, in propria persona, in Application No. 6436.

BY THE COMMISSION.

OPINION.

The complaint in the above case alleges a discriminatory rate for water service, poor pressure and service, and failure to extend water mains.

At the time the case was heard by Examiner Westover at Los Angeles, the complaint of failure to extend mains had been satisfied by defendant, and it appeared that he had just forwarded to the Commission an application to increase rates.

The hearing, therefore, proceeded upon the question of pressure and service, as a result of which the parties agreed upon a rotation schedule for irrigation purposes.

At the subsequent hearing by Examiner Westover at Los Angeles upon Application No. 6436, it appeared that Mr. Goyke and all of his

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consumers had agreed upon the metered rates set forth in the order herein. The Commission's engineers advise that, after an inspection of the system and the service, the rates will apparently produce a fair amount of revenue and in that particular appear to be just and reasonable.

ORDER.

Public hearings having been held upon the above entitled case and application, the Commission being fully advised, and it appearing that the rates hereinafter set forth are just and reasonable rates to be charged for water service from the system of defendant and applicant, located near Lankershim, Los Angeles County;

It is hereby ordered, that J. M. Goyke be and he is hereby directed to file within twenty days, and thereafter to charge and collect, the following rates, agreed upon by his consumers:

For Domestic and Irrigation Service.

Monthly measured rates:	
For the first 800 cubic feet or less	$1 50
For water used over 800 cubic feet, per 100 cubic feet	10

Rules and regulations governing service and rotation in irrigation to be submitted to and approved by the Commission.

It is hereby further ordered, that the complaint in Case No. 1504 be and it is hereby dismissed.

Dated at San Francisco, California, this twenty-eighth day of March, 1921.

DECISION No. 8790.

IN THE MATTER OF THE APPLICATION OF LASSEN ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUANCE OF BONDS IN THE SUM OF ONE HUNDRED THOUSAND DOLLARS SECURED BY DEED OF TRUST ON ALL OF THE PROPERTIES OF SAID COMPANY.

Application No. 5591.
Decided March 28, 1921.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7565, dated May 10, 1920, authorized Lassen Electric Company to issue at 80 per cent of their face value $100,000 of its 7 per cent seven-year bonds, subject among others, to the condition that the Railroad Commission approved the execution of a mortgage or trust deed securing the payment of such bonds; and

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Whereas, Lassen Electric Company now requests that it be permitted to issue at an average price of 86 per cent of their face value and accrued interest, $100,000 of 8 per cent bonds maturing in equal annual installments of $10,000 on January first of each of the years 1922 to 1931, inclusive, such bonds to be issued in lieu of the $100,000 of 7 per cent seven-year bonds authorized by the Commission in said Decision No. 7565, dated May 10, 1920; and

Whereas, Lassen Electric Company on March 21, 1921, filed with the Railroad Commission an amended copy of its proposed mortgage or deed of trust to secure the payment of said $100,000 of 8 per cent bonds;

And the Commission being of the opinion that applicant's request should be granted and that the company should be permitted to execute a mortgage or deed of trust substantially in the same form as that filed with the Commission on March 21, 1921;

It is hereby ordered, that Lassen Electric Company be and it is hereby authorized to execute a mortgage or deed of trust substantially in the same form as the mortgage or deed of trust filed with the Commission on March 21, 1921, provided—

That the approval herein given of said mortgage or deed of trust is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which said mortgage or deed of trust may be subject.

It is hereby further ordered, that Lassen Electric Company be and it is hereby authorized to issue $100,000 of 8 per cent serial bonds in lieu of the $100,000 of 7 per cent seven-year bonds authorized by Decision No. 7565, dated May 10, 1920, provided—

That the bonds herein authorized to be issued shall be issued and sold by applicant for cash, on or before July 1, 1921, at not less than 86 per cent of their face value plus accrued interest; and provided, further—

That Lassen Electric Company file within thirty days after its execution a verified copy of its mortgage or deed of trust.

It is hereby further ordered, that the order in Decision No. 7565, dated May 10, 1920, as amended, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-eighth day of March, 1921.

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DECISION No. 8791.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF PREFERRED STOCK OF THE PAR VALUE OF SIX HUNDRED THREE THOUSAND DOLLARS.

Application No. 5328.
Decided March 28, 1921.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission in Decision No. 7276, dated March 17, 1920, as amended, authorized Western States Gas and Electric Company to issue and sell $603,000 of 7 per cent cumulative preferred stock, subject among others, to the condition that the proceeds from the sale of $198,400 of stock shall be used only for such purposes as the Railroad Commission may authorize by a supplemental order or orders; and

Whereas, applicant reports that since December 1, 1919, it has redeemed through sinking fund payments $323,000 of 5 per cent bonds, thereby reducing its interest charges by the sum of $16,150 per annum; and

Whereas, applicant asks permission to use the proceeds from the sale of $198,400 of stock to reimburse its treasury in part on account of said sinking fund payments;

And the Railroad Commission being of the opinion that applicant's request should be granted for the reasons and under the conditions set forth in Decision No. 7276, dated March 17, 1920; now, therefore

It is hereby ordered, that Western States Gas and Electric Company be and it is hereby authorized to sell on or before July 31, 1921, the 7 per cent cumulative preferred stock, the issue of which was authorized by the Commission in Decision No. 7276, dated March 17, 1920, subject to the terms and conditions of said order, as amended, except that the proceeds from the sale of $198,400, referred to in Decision No. 7858, dated July 10, 1920, may be used to pay current indebtedness incurred by applicant to meet sinking fund payments or reimburse its treasury because of surplus earnings used to meet sinking fund payments.

It is hereby further ordered, that the order in Decision No. 7276, dated March 17, 1920, as amended, shall remain in full force and effect except as modified by this second supplemental order.

Dated at San Francisco, California, this twenty-eighth day of March, 1921.

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DECISION No. 8802.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING APPLICANT TO ISSUE, SELL AND DELIVER ITS FIRST PREFERRED CAPITAL STOCK OF THE PAR VALUE OF THREE MILLION DOLLARS AND TO USE THE PROCEEDS FROM THE SALE OF SAID FIRST PREFERRED STOCK IN THE MANNER AND FOR THE PURPOSE DESCRIBED HEREIN.

Application No. 6585.
Decided March 28, 1921.

Wm. B. Bosley and *C. P. Cutten*, for Applicant.

DEVLIN, *Commissioner.*

OPINION.

Pacific Gas and Electric Company asks permission to issue and sell at not less than $80 per share, 30,000 shares ($3,000,000) of its first preferred 6 per cent stock and to use the proceeds to pay in part the cost of constructing additions, betterments and improvements to its facilities, set forth in its Exhibits "C" and "D" filed in this proceeding.

Applicant also asks permission to use the proceeds from the sale of stock, the issue and sale of which the Commission has authorized in former decisions, to reimburse its treasury in the sum of $1,136,709.96, and to pay in part the cost of constructing the additions, betterments and improvements to its facilities, set forth in its Exhibits "C" and "D" filed in this proceeding.

Applicant reports that as of November 30, 1920, it had expended the sum of $1,136,709.96, which the Commission has not authorized to be paid from the proceeds of stock or bonds.

In Exhibit "C" applicant reports "General manager's authorizations unexpended balances as of November 30, 1920," as follows:

Electric department	$2,674,326 54
Gas department	729,379 76
Water department (collection)	3,142 15
Water department (pumping)	96,456 71
Railway department	29,521 71
Steam sales department	3,289 50
Supply department	3,980 45
Miscellaneous and all departments	12,017 01
Total	$3,552,113 83

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In Exhibit "D" applicant reports the estimated cost of new construction arising out of the development of its business and the addition of new consumers during the year 1921, at $3,150,000. This amount applicant segregates to its various departments as follows:

Electric department	$1,500,000 00
Gas department	1,000,000 00
Water department	250,000 00
Railway department	250,000 00
Steam sales department	25,000 00
Supply department	25,000 00
All departments, and miscellaneous	100,000 00
Total	$3,150,000 00

The aggregate of the unreimbursed expenditures ($1,136,709.96), of the expenditures reported in Exhibit "C" ($3,552,113.83) and the expenditures reported in Exhibit "D" ($3,150,000) amounts to $7,838,823.79. The Commission has not been furnished with detailed information as to all of these expenditures. As to some of the expenditures, applicant reports that it cannot at this time furnish such information, for the reason that it does not know either the location or character of all new construction made necessary by the development of its business or the addition of new consumers during 1921.

The order herein will therefore provide that only such portion of the proposed actual and estimated expenditures of $7,838,823.79 may be paid out of the proceeds from the sale of stock as is properly chargeable to capital accounts, as such accounts are defined by the classification of accounts prescribed or adopted by the Railroad Commission.

Applicant reports that from November 30, 1920 to February 12, 1921, it received from the sale of stock which the Commission authorized to be issued, the sum of $2,648,852.12 and that unpaid subscriptions for first preferred stock on February 12, 1921, amounted to $526,395.58, making a total of $3,175,247.70. In addition, applicant reports that on February 12, 1921, it had unsold 3710 shares ($371,000) of its first preferred stock, the issue of which the Commission has heretofore authorized.

In this application, applicant asks permission to issue and sell 30,000 shares ($3,000,000) of its first preferred stock. Assuming that applicant will sell the $3,371,000 of stock at 80, it will realize from such sale, $2,696,800 which, added to the $3,175,247.70 mentioned above, makes a total of $5,872,047.70.

As shown on a preceding page, applicant's actual and estimated expenditures which the Commission has heretofore authorized to be paid through the sale of stock or bonds, amounts to $7,838,823.79, an amount considerable in excess of the actual or estimated proceeds which appli-

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cant will receive from the sale of stock, the issue of which the Commission has heretofore authorized, or the issue of which is authorized in this decision.

I herewith submit the following form or order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to issue and sell $3,000,000 of its first preferred 6 per cent stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue, is reasonably required for the purpose or purposes specified in this order, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Pacific Gas and Electric Company be and it is hereby authorized to issue and sell, at not less than $80 per share, 30,000 shares ($3,000,000) of its first preferred 6 per cent stock, and use the proceeds to pay in part such cost of the additions, betterments and improvements set forth in Exhibits "C" and "D" filed in this proceeding, as may be properly chargeable to capital account, as defined by the classification of accounts prescribed or adopted by the Railroad Commission.

It is hereby further ordered, that Decision No. 6468, as amended, Decision No. 7874, as amended, and Decision No. 8315, be and they are hereby modified so as to permit Pacific Gas and Electric Company to use $1,136,709.96 of the proceeds obtained from the sale of stock, the issue of which is authorized by said decisions to reimburse its treasury, and to use the remainder of the proceeds received for the sale of stock, the issue of which is authorized by said decisions, and referred to in this application, to pay in part the cost of the additions, betterments and improvements set forth in Exhibits "C" and "D" filed in this proceeding, as may be properly chargeable to capital account, as defined by the classification of accounts prescribed or adopted by the Railroad Commission.

It is hereby further ordered, that Decision No. 6468, as amended, Decision No. 7874, as amended, and Decision No. 8315, shall remain in full force and effect, except as modified by this order.

The authority herein granted is subject to further conditions as follows:

1. Pacific Gas and Electric Company shall keep such record of the issue and sale of the $3,000,000 of stock herein authorized to be issued and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required

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by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

2. The authority herein granted will apply only to such stock as may be issued, sold and delivered on or before December 15, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of March, 1921.

DECISION No. 8805.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO ISSUE ADDITIONAL BONDS IN THE AMOUNT OF NINE HUNDRED TWENTY-NINE THOUSAND THREE HUNDRED EIGHTY-NINE DOLLARS AND TWENTY-SIX CENTS AND TO SELL OR PLEDGE THE SAME.

Application No. 6306.
Decided March 30, 1921.

Leroy M. Edwards, for Applicant.

LOVELAND, *Commissioner.*

SECOND SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8398, dated November 30, 1920, as amended, authorized Southern Counties Gas Company of California to issue $929,389.26 of its first mortgage 5½ per cent bonds due May 1, 1936, subject, among others, to the condition that $501,713.60 of said bonds be not deposited as collateral or sold or otherwise disposed of, except as authorized by the Railroad Commission; and

Whereas, the Railroad Commission in its first supplemental order, Decision No. 8616, in the above entitled matter, authorized Southern Counties Gas Company of California to deposit $121,000 of said $501,713.60 of bonds to secure in part the payment of $100,000 of series "B" collateral trust 8 per cent gold bonds; and

Whereas, applicant in its second supplemental application in the above entitled matter, reports that up to February 28, 1921, it has expended $196,790.97 for permanent extensions, betterments and improvements to its existing plant and properties which have not been paid for by the issue of bonds; and

Whereas, applicant because of such expenditures which have been examined and found reasonable by the engineering department of the Railroad Commission, asks permission to deposit $131,300 additional of said $501,713.60 to secure the payment of $100,000 of series "C" collateral trust bonds, a public hearing having been held, and the Railroad

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Commission being of the opinion that the money, property or labor to be procured or paid for by such issue, is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income; now, therefore

It is hereby ordered, that the order in Decision No. 8398, dated November 30, 1920, as amended, be and it is hereby modified so as to permit Southern Counties Gas Company of California to use $131,300 of the $501,713.60 of first mortgage bonds referred to in condition "2" of said Decision No. 8398 to secure the payment of $100,000 of series "C" ten-year collateral trust 8 per cent gold bonds, provided that all moneys obtained through the deposit of the $131,300 of first mortgage bonds be used to reimburse applicant's treasury, and after such reimbursement, to pay current indebtedness reported in the second supplemental petition in Application No. 6306.

It is hereby further ordered, that the said $131,300 of bonds shall be deposited at the ratio of $131.25 face value of first mortgage bonds for every $100 face value of collateral trust bonds issued, and that as the collateral trust bonds secured by first mortgage bonds are paid, a proper proportion of the first mortgage bonds deposited as collateral shall be returned to applicant and thereafter not disposed of by applicant in any manner whatsoever, except as authorized by the Railroad Commission.

It is further ordered, that the order in Decision No. 8398, dated November 30, 1920, as amended, shall remain in full force and effect, except as modified by this second supplemental order.

Dated at San Francisco, California, this thirtieth day of March, 1921.

DECISION NO. 8806.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE ISSUANCE OF TEN-YEAR COLLATERAL TRUST GOLD BONDS AND THE EXECUTION OF A TRUST DEED AND MORTGAGE SECURING SAME AND THE PLEDGING OF FIRST MORTGAGE BONDS AS PART OF THE SECURITY THEREFOR.

Application No. 6307.
Decided March 30, 1921.

Leroy M. Edwards, for Applicant.

LOVELAND, Commissioner.

SECOND SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8399, dated November 30, 1920, as amended, authorized Southern Counties Gas Company of California to execute a trust deed securing the payment of an

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authorized issue of $1,000,000 of ten-year collateral trust 8 per cent gold bonds dated December 1, 1920, and issue and sell at 95 per cent of their face value plus accrued interest, $400,000 of said bonds; and

Whereas, the Railroad Commission by its first supplemental order, Decision No. 8617, in this proceeding authorized Southern Counties Gas Company of California to issue and sell at 95 and accrued interest, an additional $100,000 of series "B" 8 per cent collateral trust bonds secured by the deposit of $131,400 of 5½ per cent first mortgage bonds and to use the proceeds to reimburse the treasury on account of capital expenditures made prior to December 31, 1920; and

Whereas, applicant in its second supplemental application filed in the above entitled matter, asks permission to issue and sell at 95 and accrued interest, $100,000 additional bonds (series "C") and to secure the payment of said $100,000 of series "C" bonds by the deposit of $131,300 of 5½ per cent first mortgage bonds; and

Whereas, applicant reports that up to February 28, 1921, it has expended $196,790.97 for permanent extensions, betterments and improvements to its existing plant and properties which have not been paid for by the issue of bonds; and

Whereas, the engineering department of the Railroad Commission has examined and found reasonable said expenditures, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of bonds, is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense or to income; now therefore

It is hereby ordered, that Southern Counties Gas Company of California be and it is hereby authorized to issue and sell for cash on or before December 31, 1921, at not less than 95 per cent of their face value, plus accrued interest, $100,000 of series "C" ten-year collateral trust 8 per cent gold bonds and to use the proceeds to reimburse its treasury and after such reimbursement, to pay current liabilities reported in the second supplemental application, in Application No. 6306.

The authority herein granted is subject to further conditions as follows:

1. The payment of the $100,000 of series "C" ten-year collateral trust bonds herein authorized may be secured by the deposit of $131,300 of applicant's 5½ per cent first mortgage bonds. As the ten-year collateral trust bonds are redeemed, a proper proportion of applicant's first mortgage bonds deposited as collateral shall be returned to applicant and thereafter not disposed of in any manner whatsoever except as authorized by the Railroad Commission.

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2. Southern Counties Gas Company of California shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted to issue bonds will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

Dated at San Francisco, California, this thirtieth day of March, 1921.

DECISION No. 8808.

IN THE MATTER OF THE APPLICATION OF ELECTRIC WATER COMPANY, A CORPORATION, FOR AN ORDER REVISING ITS RATES AND CHARGES FOR WATER SERVICE.

Application No. 6081.
Decided March 31, 1921.

McCutchcon, Willard, Mannon and Green, by *A. P. Mathew* and *A. Crawford Greene*, for Applicant.

J. A. Hinman, Mayor, and *W. P. Grijalva*, City Attorney, for the City of Bakersfield.

BY THE COMMISSION.

Electric Water Company, applicant in the above entitled matter, is a public utility water company engaged in the business of selling and distributing water for domestic purposes to consumers in and in the vicinity of Bakersfield, California.

In this proceeding applicant asks for authority to increase its rates for service, alleging in effect that the present rates do not produce income sufficient to equal maintenance and operation expenses, replacement fund, and an adequate return on the investment.

Public hearings were held in this matter before Examiner Satterwhite at Bakersfield, of which all of applicant's consumers were duly notified and given an opportunity to appear and be heard.

The rates in effect at the present time are flat rates with a minimum of 75 cents per month, and have been in effect since January 1, 1909. There are approximately 3400 consumers supplied by this system.

It appears from the evidence that the original plant from which the present was developed was installed in 1897 as a part of a real estate project. On April 28, 1898, this plant was purchased by the present Electric Water Company from the Bakersfield Water Company, and since that date it has continued to distribute water to that portion of Bakersfield west of Union avenue.

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There are fifteen wells located in various parts of the city from which the water is pumped by electrically driven equipment, directly into the distribution mains, which vary in diameter from one inch to ten inches.

Mr. F. Emerson Hoar, consulting engineer for applicant, submitted an appraisal of this system showing an estimated original cost of $673,020. This includes the sum of $195,356 for development expense, and $600 for nonoperative real estate. Mr. Hoar also submitted an estimated reproduction cost of this system, totalling $799,305. Mr. M. E. Ready, one of the Commission's hydraulic engineers, submitted an appraisal showing an estimated original cost of $387,578. The evidence, however, developed certain facts which indicate that this figure should be increased to $402,537 to cover additional development expense, building costs, and an allowance for paving over mains, which were not included in the figures submitted.

Mr. Hoar submitted an estimate of $15,263.83 as the proper sum to be included in the annual charges for the depreciation of this plant. This estimate is based upon the straight line method of depreciation. Mr. Ready's estimate, corrected for the added figures mentioned above, is $3,094, computed by the sinking fund method.

The evidence relating to applicant's operating expenditures shows that, exclusive of depreciation, the sum of $51,633.23 was expended during 1918, and $48,186 during 1919. However, there is included in the 1919 charges the sum of $5,313.52, which was paid during that year for 1915 taxes, and certain other items are included which do not occur annually which should be amortized over a series of years equal in length to their probable recurrence.

Mr. Hoar estimates that the probable future expenditure for operation will be $76,724 annually. Deducting the sum of $15,264 from Mr. Hoar's estimate, which is the estimated amount of the annual depreciation, we arrive at the sum of $61,460 for this item as a comparable sum to the estimate by Mr. Ready, corrected for certain items submitted during the hearing, which totals $52,750.

A careful consideration of the evidence leads us to the conclusion that this company should have a rate schedule established which will yield to it slightly in excess of $91,000 annually. This sum includes a fair interest return, replacement annuity, and maintenance and operation expenditures. The operative income of this utility for 1919 was $70,405, and for the first ten months of 1920, $67,389. It is therefore apparent that applicant's present rate schedule does not yield to it a fair revenue, and the schedule established in the following order is designed to return to applicant an amount equal to the total annual charges indicated above.

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ORDER.

Electric Water Company having applied to the Railroad Commission for authority to increase its rates for water, public hearings having been held, and the Commission being fully apprised in the premises;

It is hereby found as a fact, that the rates and charges of Electric Water Company, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates.

And basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, by the Railroad Commission of the State of California, that Electric Water Company be and it is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order, the following schedule of rates, said rates to be charged for all service rendered subsequent to April 1, 1921:

MONTHLY FLAT RATES.

For every dwelling house, tenement flat or apartment of three rooms or less and bath room	$1 00
For every dwelling house, tenement, flat or apartment over three rooms, for each additional room	15
For water closets or bath tubs in private residences, each	20
For public bath tubs used in bathing establishments, boarding houses and barber shops, each	1 00
For public water closets or urinals, each	1 00
For rooms in second or third stories occupied as offices, each room with water	50
For restaurants and eating houses	$2 00 to 8 00
For soft drink parlors	3 00
For photograph galleries	3 00
For bakeries	$3 00 to 6 00
For drugsteres	3 00 to 5 00
For blacksmith shops of one forge	2 00
Each additional forge	60
For meat markets	$2 00 to 5 00
For public halls or lodge rooms	2 00
For church buildings	2 00
For candy kitchens	$2 00 to 6 00
For stores—general	1 50
For newspaper and press rooms	1 25
For pool halls	1 25
For undertaking establishments	3 00
For dentists' offices, per chair	1 25
For shooting galleries	1 25
For public drinking fountains	1 50
For public water troughs	1 50
For warehouses	2 50
For barber shops per chair used	60
Minimum per month	2 00
For vegetable stand sprays	50
For each public garage or service station	3 00
For each automobile	25
For private stables for one horse or cow	50
For each additional horse or cow	20
For livery, board, feed, sales and hack stables, including water to wash vehicles, per horse	30

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Minimum per month	2 00
For watering lawns and grounds planted to shrubbery, including water for trees and shrubbery in front thereof, per front foot	015
For use of hose in front of stores and shops for washing windows and sprinkling sidewalks per front foot	015
For steam engines not working over ten horsepower per day for each horsepower so used	60
For all steam engines working over ten horsepower per day, for each horsepower so used	50
For first five barrels of lime or cement, per barrel	25
For over five barrels of lime or cement, per barrel	15
For water used to mix mortar and dampen bricks, per thousand bricks	25
For cement walks and floors, per hundred square feet	25
For cement curbs, per 100 lineal feet	35
For fire hydrants, per hydrant	2 25

All other use to be paid for at measured rates.

MEASURED MONTHLY RATES.

First 500 cubic feet, per 100 cubic feet	20
Next 1500 cubic feet, per 100 cubic feet	15
Over 2000 cubic feet, per 100 cubic feet	09

MINIMUM MONTHLY CHARGES.

For each ⅝-inch meter	1 00
For each ¾-inch meter	1 25
For each 1-inch meter	1 75
For each 1½-inch meter	2 50
For each 2-inch meter	4 00
For each 4-inch meter	10 00

It is hereby further ordered, that Electric Water Company be and it is hereby directed to file with the Railroad Commission, within thirty (30) days from the date of this order, for its approval, rules and regulations governing the distribution of water to its consumers, said rules and regulations to become effective upon their acceptance for filing and approval by the Commission.

Dated at San Francisco, California, this thirty-first day of March, 1921.

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DECISION No. 8810.

IN THE MATTER OF THE APPLICATION OF THE CITY OF AUBURN TO FIX COMPENSATION TO BE PAID FOR THE MUNICIPAL WATER SYSTEM OF PACIFIC GAS AND ELECTRIC COMPANY.

Application No. 3745.
Decided March 31, 1921.

CONDEMNATION PROCEEDINGS—VALUATION FOR—DATE OF FINDINGS.—A valuation made for condemnation purposes should be made as of the date upon which the application for such valuation was filed with the Railroad Commission. The sum of $52,000 is fixed as the just compensation to be paid by the city of Auburn for the water distributing system of Pacific Gas and Electric Company in that city and the petition of the company for rehearing is denied.

BY THE COMMISSION.

OPINION ON APPLICATION FOR REHEARING.

On September 27, 1920, this Commission, by Decision No. 8162, made its finding of just compensation to be paid by the city of Auburn for the water system, owned by Pacific Gas and Electric Company, supplying consumers in said city.

Thereafter Pacific Gas and Electric Company filed application for rehearing alleging, among other things, that the Commission's finding was made as of April 30, 1920, instead of May 10, 1918, the date of filing of the original application, and that the Commission's finding is, therefore, contrary to the provisions of the Public Utilities Act.

At the hearing of this matter, it was stipulated that the Commission may have authority to add to the value which it may find, as of the date of the filing of the application, compensation to the owner of the system for any additions, betterments and improvements of the property which may be made between the date of submission of the case and the date of the Commission's decision. Subsequently Pacific Gas and Electric Company filed a statement of additions and betterments and abandonments of capital from May 10, 1918, to April 30, 1920, and presented evidence showing accrued depreciation on the additions and betterments. The Commission was of the opinion that the intent of this stipulation was to carry forward all elements of value and depreciation from the date of filing of the application to the approximate date of the decision, and therefore make its finding as of April 30, 1920.

Inasmuch as technical objection has been made to this course of procedure, it appears that a finding of just compensation should be made as of May 10, 1918, the date of filing of the original application, and after a careful consideration of all of the elements pertinent to a final conclusion herein, and all of the items going to make up the value of the properties sought to be acquired by the city of Auburn in this proceeding, including all matters presented in the application for rehear-

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ing, it appears that the just compensation to be paid by city of Auburn to Pacific Gas and Electric Company for said properties is the sum of $52,000, and that the application for rehearing should be denied.

FINDINGS AND ORDER.

City of Auburn, a municipal corporation, having filed with the Railroad Commission an application as entitled above, the Railroad Commission having proceeded under the provisions of section 47 of the Public Utilities Act, to fix and determine the just compensation to be paid by said city of Auburn to Pacific Gas and Electric Company for the public utility water system owned by it and serving consumers in the city of Auburn, and the Commission having, by Decision No. 8162, made its finding of just compensation as of April 30, 1920, and Pacific Gas and Electric Company having filed application for rehearing, and good cause appearing why the finding of just compensation should be made as of May 10, 1918, the date of filing of the original application, and there being no good reason why a rehearing should be granted, and the Commission being fully advised in the matter:

It is hereby found as a fact, that the just compensation to be paid by the city of Auburn to Pacific Gas and Electric Company for its public utility water system supplying water to consumers in said city, and more particularly described in the following paragraph and made a part of the finding herein, is the sum of $52,000.

That certain tract, parcel or piece of land lying and being in the northeast quarter of section 10, township 12 north, range 8 east, Mount Diablo base and meridian, containing 1.12 acres, and upon which is located the storage reservoir used in supplying water to consumers in the city of Auburn. Also all water mains, pipes, services, valves, fittings, valve boxes, chlorine control apparatus, rights of way for pipe lines, etc., the same being the public utility water system of Pacific Gas and Electric Company supplying the inhabitants of the city of Auburn on May 10, 1918.

And it is hereby ordered, that except as herein otherwise provided the application for rehearing in the above entitled proceeding be, and it is, hereby denied.

Dated at San Francisco, California, this thirty-first day of March, 1921.

DECISION No. 8811.

IN THE MATTER OF THE APPLICATION OF FOOTHILL DITCH COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO REFUND PROMISSORY NOTES

Application No. 6644.
Decided March 31, 1921.

R. C. Merryman, for Applicant.
MARTIN, *Commissioner*.

OPINION.

Foothill Ditch Company asks permission to issue for a term of three years or less notes in the aggregate face amount of $7,000 to refund

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$7,000 of outstanding notes. Two of the notes are to be issued for the sum of $2,500 each and to bear interest at the rate of 7 per cent per annum. The other note is to be issued for the sum of $2,000 and to bear interest at the rate of 6 per cent per annum. The payment of none of the notes will be secured by a mortgage.

The notes which applicant asks permission to refund were issued pursuant to the authority granted in Decision No. 6344, dated May 20, 1919 (Volume 16, Opinions and Orders of the Railroad Commission of California, page 789).

I herewith submit the following form of order:

ORDER.

Foothill Ditch Company having applied to the Railroad Commission for authority to issue notes in the aggregate amount of $7,000, a public hearing having been held, and the Commission being of the opinion that this application should be granted;

It is hereby ordered, that Foothill Ditch Company be and it is hereby authorized to issue two promissory notes for $2,500 each, due on or before three years after date, and bearing interest at 7 per cent per annum, in renewal of the two notes issued to A. C. Dungan on November 1, 1919; also to issue its promissory note in the sum of $2,000, due on or before three years after date, and bearing interest at 6 per cent per annum in renewal of the note issued to Van Cleve Construction Company on November 1, 1919, said notes may be issued to A. C. Dungan and Van Cleve Construction Company, respectively, or to their respective assignees, if any.

The authority herein granted is subject to further conditions as follows:

1. Foothill Ditch Company shall keep such record of the issue of the notes herein authorized as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

2. The authority herein granted will apply only to such notes as may be issued, executed and delivered on or before June 30, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirty-first day of March, 1921.

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DECISION NO. 8812.

IN THE MATTER OF THE APPLICATION OF NORTH FORK DITCH COMPANY, A CORPORATION, FOR AN INVESTIGATION BY THE RAILROAD COMMISSION OF THE REASONABLENESS OF THE RATES AND CHARGES OF SAID CORPORATION, AND FOLLOWING SUCH INVESTIGATION, FOR AN ORDER ESTABLISHING JUST AND REASONABLE RATES AND CHARGES.

Application No. 5664.
Decided March 31, 1921.

OPERATING EXPENSES—DEFERRED MAINTENANCE—AMOUNT ALLOWED.—The Commission holds that it would be unfair to allow operating expenses based on a nine months operating period when an investigation shows that expenditures during such time include a number of items not recurrent annually. Operating expenses based on the company's records for a number of years are allowed, those items not recurrent annually to be amortized over a period of their probable reoccurrence.

IRRIGATION SERVICE—FLAT RATE BASIS.—Irrigation service rendered upon a flat rate basis is held to work an injustice as to those consumers who do not require a uniform quantity of water for the irrigation of their farms. Under the present schedule a consumer who uses a large number of inches for even a short period of time must pay for this additional quantity for the entire season. Recommendation made that applicant submit data upon which a measured schedule of rates can be established.

C. F. Metteer, for Applicant.

Robert Hector, for ranchers in the Monte Rio District.

Frank F. Atkinson, for Fair Oaks Irrigation District, Carmichael Irrigation District and Citrus Heights Colony.

C. E. McLaughlin, for Orangevale Water Company.

MARTIN, *Commissioner*.

OPINION.

North Fork Ditch Company, applicant in the above entitled matter, is a public service corporation engaged in the business of furnishing water for irrigation purposes for approximately 8000 acres of agricultural land situate in Sacramento and Placer counties and for domestic purposes to consumers located in that territory.

In this proceeding applicant asks for an adjustment of its rates for service, alleging in effect that the company has sustained an operating loss for the past five years, and has not realized a return on the capital investment.

A public hearing was held in this matter of which applicant's consumers were duly notified and given an opportunity to appear and be heard.

The rates under which North Fork Ditch Company is operating at the present time were established by this Commission in its Decision No. 3165, issued March 17, 1916, *In the Matter of the Application of North Fork Ditch Company for appraisement of its property and adjustment*

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of water rates (Application No. 1524, Volume 9, page 347, Opinions and Orders of the Railroad Commission of California), to which decision reference is hereby made for the history of the company, a description of the system, the rates then established, and such other matters as may be pertinent to the decision herein.

North Fork Ditch Company has been before the Railroad Commission in various other proceedings. With the exception of certain rates for service which have been automatically canceled by reason of the discontinuance of mining activities in this territory, and with the exception of the abandonment of one reservoir and a section of ditch, the system of applicant is practically the same as outlined in Decision No. 3165 above referred to.

Since the valuation in the original rate proceeding (Application No. 1524) was made, certain additions and betterments have been made and these have been taken into account in arriving at the value of the properties of this utility for the purposes of this proceeding; also there have been some necessary adjustments and transfers of charges to proper accounts. Taking these matters into consideration it is found that the value for the purposes of this proceeding of the properties used and useful to North Fork Ditch Company in the performance of its public utility duties, is the sum of $288,000. Using this figure as a basis and computing a replacement annuity on the sinking fund basis, we find that a proper allowance for this item is $2,550 annually. This amount is designed to provide an adequate fund for the replacement of wornout properties when they have reached the end of their usefulness.

Applicant presented an estimate of $20,304 as representing annual maintenance and operation expenses of the system. This estimate was predicted on a nine months' operation period during 1920, with no apparent consideration given to costs in previous years, though these figures were available. An examination of the records developed the fact that certain items of expense included in applicant's estimate were applicable to that period alone, and were not recurrent annually. As the 1920 expenses show many items of deferred maintenance, it would manifestly be unfair to base annual operating expenses for rate fixing purposes on data thus obtained.

The Commission's engineers have made a study of the operating conditions which prevail under this system, and have taken into consideration the costs as shown by the company's books over a period of years. Those expenses which were not recurrent annually were amortized over the period of their probable recurrence, and a comparison was made of the operating costs thus obtained with those prevailing under similar systems. Taking these various phases of the situation into con-

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sideration, it appears that the sum of $16,725 is a reasonable amount for the annual maintenance and operation expenses of this system.

Summarizing the above findings, the following items represent the annual charges of this utility:

Interest return	$23,040 00
Replacement fund	2,550 00
Operation and maintenance expense	16,725 00
Total	$42,315 00

The maximum revenue by this system in any one year was $34,683 in 1920, and the average revenue for the past six years, including 1920, was $26,000. It therefore appears that some adjustment of applicant's rates is necessary to enable it to operate on a more remunerative basis.

There is still considerable undeveloped acreage which is susceptible of irrigation from applicant's system, but no greatly increased revenue can be expected from augmented sales until further capital expenditures are made for the conservation of water. At the present time it appears the system is operating up to the limit of its water supply, but it is apparent that the available supply could be considerably increased by a system of repairs which would reduce the leakage and minimize the danger from breaks.

The schedule of rates which is set out in the following order is designed to produce an increased revenue for the utility and establish a rate which is reasonable to the present consumers for the service rendered.

Attention is directed to the fact that the schedule of rates established herein is a schedule which provides for a certain sum per miner's inch per year. In other words, this rate is in effect a flat rate, and apparently works injustice to some consumers who do not require a uniform quantity of water for the irrigation of their farms. Under the present form of rate a consumer who uses a large number of miner's inches per day for even a short period of time must pay for this additional quantity used for the entire season. This is obviously unfair, and should be corrected. However, it is impossible with the data at present available to establish a rate schedule providing for a minimum annual charge per miner's inch applied for, and an additional quantity rate. It is therefore recommended that the same form of rate be established in this decision as has been in effect heretofore, and that the company be required to so keep its records that at the end of the present irrigation season the Commission will have available sufficient data to compute a rate schedule upon the quantity basis.

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ORDER.

North Fork Ditch Company having applied to the Railroad Commission for the establishment of just and reasonable rates for water delivered to its consumers, a public hearing having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact, that the rates heretofore charged by North Fork Ditch Company, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates.

And basing its order upon the foregoing finding of fact, and upon the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that North Fork Ditch Company be and it is hereby authorized to file with this Commission within twenty (20) days from the date of this order, the following schedule of rates, said rates to be charged for all service rendered subsequent to April 1, 1921:

Water delivered to consumers on the main ditch and laterals, per miner's inch per year	$35 00
Water delivered at Penstock Reservoir, where collections therefor are from one consumer, per miner's inch per year	20 00
For domestic service, per month per consumer	1 00

NOTE—The term "miner's inch" used herein means one-fiftieth cubic foot per second.

It is hereby further ordered, that as a condition to the above established rates being and continuing in effect, the North Fork Ditch Company shall keep true and correct records of the number of miner's inch days delivered to each consumer during the year 1921, and shall file on or before December 31, 1921, a certified statement showing in detail the quantities delivered to each of the various consumers and the acreage which each consumer irrigates.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirty-first day of March, 1921.

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DECISION NO. 8813.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION FIXING FAIR AND REASONABLE RATES FOR GAS SUPPLIED TO ITS CONSUMERS.

Application No. 6108.
Decided March 31, 1921.

UTILITY RATES—REDUCED PROFITS DURING BUSINESS DEPRESSIONS.—In considering the contention that utilities should bear part of the burden resulting from reduced profits, the Commission calls attention to the fact that in the early part of 1918, while other classes of business were making a large measure of profit, utilities were held to a return barely sufficient to insure the continuance of adequate service, and they are still entitled to a reasonable return irrespective of the condition of business as a whole.

GAS RATES—OIL COSTS—AUTOMATIC FLUCTUATIONS IN RATES.—It is held to be impractical to establish a schedule of rates for gas service which would automatically decrease or increase with the cost of oil or other operating expenses, when necessary revisions in rates can be quickly considered upon formal proceedings.

Investigation showing that under the rates heretofore established applicant would have earned $701,636 less than the sum found to be reasonable for its gas business, a revised schedule of rates for gas service is established containing increases of from five to fifteen cents per thousand cubic feet, such schedule to become effective for meter readings made on and after April 12, 1921.

C. P. Cutten, for Applicant.
John J. Dailey, for City and County of San Francisco.
Archer Bowden, for City of San Jose.
C. K. Kirkbride, for City of San Mateo.
W. E. Simpson, for City of Fresno.
Harry E. Brown, for City of Sacramento.
C. W. Byrnes, for City of San Rafael.
Leon Gray, for City of Oakland.
DEVLIN, *Commissioner*.

OPINION.

Applicant herein alleges that since the last decision of this Commission fixing its rates the price of oil has increased from $1.81 per barrel to $1.93 per barrel f.o.b. San Francisco, equivalent to $282,532 increase per annum over and above the costs which were estimated in connection with that proceeding; that the sale of gas for the year 1920 will be materially less than the Commission estimated in its former decision; that the cost of maintenance of its system will be greater than that allowed by the Commission; that the taxes incurred will be materially in excess of the former estimates, and that as a result of the above conditions it will fail to earn, under the rates now in effect, the return found to be just and reasonable by this Commission.

In the spring of 1920, following an increase of 25 cents per barrel in the price of oil, Pacific Gas and Electric Company filed its Applications Nos. 5275 and 5278 requesting the Commission to authorize it to increase its rates and charges for gas furnished and supplied to its consumers in the entire territory served. Extended hearings were held in these proceedings. The revenues and expenses in the various districts

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and subdivisions of the company were examined closely by the Commission and its experts and also by the municipalities affected and the Commission, in its Decision No. 7877, rendered on July 14, 1920, granted applicant certain increases in rates.

The issues raised in this proceeding are of such a nature as to affect to a large degree the entire district equally. It does not appear at this time necessary to go again into detail as to the costs of service in the various districts. Consideration of this application was opposed by the city attorneys represented on the ground that a reasonable time had not elapsed since the last decision; that if relief was desired, applicant should have availed itself of its rights to petition for rehearing and not have waited until after the time for rehearing had elapsed and then file a new petition; that the prices of material are falling and labor becoming more efficient, and that the increased oil costs will be largely offset by the resultant reductions in other costs. It is further urged that with the falling prices the public will face reduced profits and the gas company should bear its part of the burden by accepting a lower return.

At the time the rates were fixed in Decision 7877 there were only four months of actual record of 1920 available and eight months of estimates on which to base the rates. When the final presentation of this proceeding was had nine months of actual record of 1920 operations as to revenue and expense were available and ten months of actual sales and sendout. At practically the date of the rendering of Decision No. 7877 fixing the present rates, a further increase in the price of oil of 12 cents per barrel, became effective. This increase in price of oil was not considered in Decision No. 7877.

Protestants urged that reduction in the price of supplies and general increase in efficiency of labor should generally offset any increase in the price of oil. Without question applicant's operations should become more efficient in view of the general tendency to greater efficiency in labor and also to the new scheme of organization which applicant is making effective and these facts will be given consideration in the analysis of the evidence herein.

Protestants also urge that applicant should bear part of the burden resulting from reduced profits, which they urge are at present occurring. In this connection it must be borne in mind that the same point was urged at the early part of the war when increase of gas and electric rates throughout the state was considered—that the utilities should bear part of the war burden resulting from the tendency toward increases in the price of all commodities and the cost of living, and it is to be further borne in mind that at the time the rates were increased in 1918 consideration was given to this fact and the company was not allowed to increase its rate of profit during the war period but was only

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allowed sufficient return to approximately maintain its former earnings and continue to render adequate service. The records show that applicant's net profits from its gas business have not increased during the period of high prices, when it is conceded that extra profits were made by industries in general. The utility being restricted to but a fair and reasonable return during such a period must when a change in such conditions occurs reducing the profits in other lines of endeavor be maintained upon a reasonable basis, as otherwise proper and adequate service cannot be rendered.

It was urged by certain of the attorneys representing municipalities that the rates should be fixed for a definite period and that if a material change in certain costs, such as oil, should occur, that if possible those be taken care of automatically rather than require additional hearings. Also, that if allowance is made for such items as maintenance, that these should be accounted for fully, and, if not used during a given year, should be held over in reserve for application to expenses during the following year. This suggestion is one which has been given consideration by the Commission and has been carried out in certain instances where conditions justified. In this instance although the effect on the cost of service of the price of oil is readily determined, the effect of other changes in costs may partly offset such changes and I do not believe that an automatic schedule should be fixed. If applicant is seriously affected by increase in cost of oil or cost of service reduced by reduction of same, this one item can be quickly considered upon formal proceeding.

The findings of the Commission upon the evidence in Applications Nos. 5275 and 5278 as to gross revenue, expenses and return from the then existing rates, based upon a price of oil of $1.81 per barrel, with increased labor pay roll effective for the entire year as set forth in Decision No. 7877, is as follows for the entire system:

TABLE No. I.

PACIFIC GAS AND ELECTRIC COMPANY.

GAS DEPARTMENT.

Revenue and Expenses Under Existing Rates.

Gross revenue	$11,181,771 00
Operating expenses:	
Maintenance	598,600 00
Oil	4,233,106 00
Other operating expenses	2,417,100 00
Electric energy	220,000 00
General administration expense	315,000 00
Taxes	700,000 00
Fire and casualty insurance	44,085 00
Uncollectible bills	51,525 00
Total operating expense	$8,579,416 00
Net for depreciation and return	$2,602,355 00

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The above table sets forth the estimated gross revenue and expenses applicable to the year 1920 but includes reasonable costs based upon the evidence that was introduced in that proceeding and costs applicable to the entire year. It was found in that decision that a reasonable return for interest and depreciation for the year 1920 for the Gas Department of applicant would be $3,238,586. As set forth in the Commission's findings, it was estimated that at the rates then in effect and the cost of oil as effective on March 17, of $1.81 per barrel at San Francisco, the company would fail to earn the net return found reasonable by $638,229. The evidence submitted by Pacific Gas and Electric Company in this proceeding sets forth that, based upon nine months actual and three months estimated revenues and cost, the company's actual earnings for the year would be as set forth in the following table No. II, column one:

TABLE No. II.

PACIFIC GAS AND ELECTRIC COMPANY.

GAS DEPARTMENT.

	Company's estimate Application No. 6108 (9 months actual, 3 months estimated)	Company's estimate revenue and costs, based on conditions of rates and costs as in effect since Decision No. 7877
Gas sales—1000 cubic feet	$10,560,000 00	
Gross revenue	11,060,000 00	$11,457,600 00
Expenses:		
Maintenance	702,100 00	711,753 00
Oil	4,078,150 00	4,365,176 00
Other operating expense, electric energy	2,707,000 00	2,744,517 00
General administration expense	305,000 00	308,856 00
Taxes	781,000 00	727,862 00
Fire and casualty insurance	47,050 00	47,050 00
Uncollectible bills	35,000 00	35,000 00
Total operating expense	$8,655,300 00	$8,940,214 00
Net for depreciation and return	$2,404,700 00	$2,517,386 00

The company also submitted an estimate of the revenues and costs assuming that the present price of oil, present labor costs and present rates were in effect for the entire twelve months. This estimate, based largely upon the actual records for the first nine months, shows a net for return and depreciation of $2,517,386, or approximately $700,000 below that found to be reasonable by the Commission.

The points urged especially by applicant in this proceeding are as follows:

(1) Price of oil has increased 12 cents per barrel since the last decision.

(2) Applicant's maintenance has been greater than allowed by the Commission by an amount equivalent to approximately $100,000.

(3) The gas sales of applicant have fallen below that estimated by the Commission in its previous decision.

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(4) Applicant will incur taxes in excess of those allowed in the Commission's decision.

The price for oil now being paid by applicant exceeds that upon which the rates now in effect were based by 12 cents per barrel. This increase will result in as increased cost of operation, according to an analysis of the evidence in this proceeding, equivalent to $267,600 per annum, or approximately 2½ cents per thousand cubic feet sold.

The Commission in its Decision No. 7877 estimated that the gas sales of applicant would increase approximately 12½ per cent in excess of those in effect for 1919. The record for the first nine months of 1920 shows an increase of slightly in excess of 8½ per cent with a tendency to a greater increase in percentage during the last months of the year. In the Commission's Decision No. 7877 the Commission authorized applicant to reduce the heat content of gas supplied in Oakland to 550 British thermal units as against a standard of 570 maintained from October, 1919, to July, 1920, and compared with 550 during the period prior to October, 1919. Although the exact effect of this change in British thermal units is not definite, the Commission is of the opinion that the reduction has tended toward an increase in sales. Under the Commission's direct supervision a series of tests as to the efficiency and economy of gas production are being carried on at the San Jose plant of Pacific Gas and Electric Company and in connection with these tests certain modifications in the heat content of gas will be made. Careful records of the tests are being kept but it will appear necessary to change the heat content of gas from time to time. In the fixing of rates for San Jose herein and the estimating of sales consideration will be given to the program of tests to be carried out.

Giving consideration to the evidence now available it appears that a reasonable estimate of the sendout upon which to base rates at this time would be 10 per cent increase over 1919 figures and that the former estimate based upon the evidence in the previous applications should be reduced to the lower amount. This results in a reduction in the estimated gross revenue of $251,000 and a deduction in the cost of oil of approximately $107,000, and a reduction in the net revenue of approximately $144,000.

Applicant estimates the maintenance expense for the year 1920 to be $702,100 as compared with the Commission's allowance of $598,600, and also estimates that, based upon existing prices of labor and material, the maintenance would have cost $711,753. The estimate of $598,600 in the previous decision was based upon the evidence that maintenance during the year 1920 was abnormal as a result of deferred maintenance and that considerable of the work which was being done would not have to be repeated and, therefore, the future cost of maintenance would be lower.

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The evidence in this proceeding, both by the Commission's engineer supervising gas service and the company's engineer in charge of gas construction and operation, point to the fact that the rate of expenditure for maintenance occurring in 1920 will continue if adequate service is to be maintained. It appears that the company's system has not been maintained up to the standard that it should be under normal conditions and that if the present standard of maintenance is not continued service conditions are apt to deteriorate. Applicant estimates that for the year 1921 the maintenance cost will be in the neighborhood of $777,000 as compared with the cost of 1920 of $702,000. Improved efficiencies in labor and possible reduction in the cost of supplies, the latter of which has so far not occurred to any great extent, should in all probability reduce this item somewhat. I must conclude, in view of the continuation of the present maintenance costs and in view of the further fact that the rates in the past have been based upon conditions from year to year, that it would be fair to allow as a maintenance item in determining the reasonableness of the rates now in effect the sum of $700,000. I believe, however, that the company should be required to account for the maintenance allowance, and should, for the year 1921, the maintenance fall below the amount allowed, the sum should be held as a reserve to cover maintenance in the future.

Applicant estimates its operating expenses for the year 1920 at $2,707,000, this being exclusive of maintenance or fuel oil and also exclusive of general and administrative expense. It estimates the increase in labor which was made effective in April will amount to $37,519, making a total operating expense exclusive of oil of $2,744,519 based upon existing rates of cost. With applicant's new organization and the general tendency to greater efficiency in labor as shown in the evidence herein, it appears that the future operating expenses might be based upon the actual for the year 1920 rather than on the present basis.

Applicant urges that its taxes will exceed that previously estimated. An analysis of the evidence presented at the hearing shows that the taxes accruing at the rate then in effect would be only slightly greater. However, since then applicant's state taxes have been increased from 5.6 per cent of its gross revenue to 7.5 per cent. This increase results in an increase in cost of operation of approximately $220,000 per annum on the basis of present rates applied to 1920 business.

The following table sets forth the conclusions as to the reasonable basis of sales, revenue and expenses based upon conditions existing as of 1920 and the costs as they exist at the present time, which should be used in determining whether the existing rates are reasonable or not:

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TABLE No. III.

PACIFIC GAS AND ELECTRIC COMPANY.

GAS DEPARTMENT.

Reasonable Estimates of Revenue and Expense Under Existing Rates—1920 Basis.

Gas sales—1000 cubic feet	$10,775,000 00
Gross revenue	11,670,000 00
Expenses:	
Maintenance	700,000 00
Oil	4,400,000 00
Other operating expense, including electric energy	2,700,000 00
General administration expense	309,000 00
Taxes	942,000 00
Fire and casualty insurance	47,050 00
Uncollectible bills	35,000 00
Total operating expenses	$9,133,050 00
Net for depreciation and return	$2,536,950 00

According to the above the net for depreciation and return would be $2,536,950, this to be compared with the amount which the Commission found to be reasonable in its previous Decision No. 7877 of $3,238,586, showing that on this basis the company would have earned $701,636 less than the return found to be just and reasonable. This amount with increased taxes which must be paid upon the extra revenue, brings the amount of additional gross revenue necessary to grant the utility the net return found to be reasonable to $840,000. In view of the fact that during 1920 Pacific Gas and Electric Company failed to earn the return found to be reasonable by this Commission by approximately $600,000, and that based upon existing conditions and rates it would have failed to earn during the same period the net return found reasonable by approximately $840,000, it is apparent that additional rates should be authorized so that during the year 1921 applicant will earn the reasonable return estimated if it maintains its efficiency and the cost of oil does not further increase.

The general form of rates which was fixed in Decision No. 7877 will be continued as those rates were fixed after more detailed consideration of the effect in the various districts than in this proceeding. The greater cost herein determined is to a certain extent applicable to the various districts on the same basis with the exception that the increase in cost is less in the larger plants owing to greater efficiencies.

The rate to the city of Palo Alto as fixed originally by this Commission in Decision No. 5440 in Application No. 3300 was so fixed as to automatically vary with the price of oil. The basic rates and varying charge do not, however, take care of the increase in other charges including maintenance and operation other than oil and taxes. The basis rate will herein be increased two cents per 1000 cubic feet to cover increases in taxes and maintenance and other operations and the varying charge one-half mill for increase in taxes applicable.

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The rates set forth in the order herein are designed to increase applicant's gross revenue by the amount of $840,000 per annum herein found to be a reasonable increase based upon 1920 sendouts, and the increase in cost is spread among the various rates to justly divide the burden.

I recommend the following form of order:

ORDER.

Pacific Gas and Electric Company having applied for authority to increase its rates and charges for gas, public hearings having been held, the matter submitted and now awaiting decision:

The Railroad Commission of the State of California hereby finds as a fact that rates and charges for gas set forth in the order hereinafter are just, fair and reasonable rates to be charged for gas in the respective localities, and that the rates and charges now in effect for gas, in so far as they differ from the rates herein established, are not just, fair and reasonable rates.

Basing its order on the foregoing findings of fact, and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that effective for all regular meter readings taken on and after the twelfth day of April, 1921, Pacific Gas and Electric Company be and it is hereby authorized to charge and collect for gas in accordance with the following schedules:

SCHEDULE G-1.

Character of service.

Gas of an average heating value of 550 British thermal units per cubic foot will be supplied under this schedule for light, heat and power service.

Territory.

This rate applies in the city and county of San Francisco, and to the following localities within the Alameda County district: Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont and contiguous suburban territory.

Rate.

On the basis of monthly consumption of gas per meter.

$1 13	per 1000 cubic feet for the first 10,000 cubic feet.
1 05	per 1000 cubic feet for the next 20,000 cubic feet.
97	per 1000 cubic feet for the next 40,000 cubic feet.
90	per 1000 cubic feet for the next 80,000 cubic feet.
85	per 1000 cubic feet for the next 150,000 cubic feet.
80	per 1000 cubic feet for all over 300,000 cubic feet.

Minimum.

Minimum monthly charge for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service, 70 cents per meter.

Minimum monthly charge for domestic and commercial service other than the above, 80 cents per meter.

SCHEDULE G-2.

Character of service.

On the basis of monthly consumption of gas as measured at the point of delivery to the city of Palo Alto at or near the compression tanks of the city. Gas will be of approximately 530 British thermal units per cubic foot.

Territory.

This rate applies only to gas sold at wholesale to the city of Palo Alto.

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Rate.

$0 64 per 1000 cubic feet for the first 5,000,000 cubic feet per month.
42 per 1000 cubic feet for all over 5,000,000 cubic feet per month.
Plus 2.05 cents per 1000 cubic feet for all gas consumed for each 10 cents per barrel that the average price of oil at the Potrero plant of the company exceeds $1 per barrel.

Terms and conditions.

A cubic foot of gas is hereby defined as that volume of gas occupying the space of one cubic foot at a temperature of sixty (60) degrees Fahrenheit, and at a pressure of four inches of water above atmospheric pressure, the atmospheric pressure being taken at the pressure equivalent to a thirty-inch column of mercury.

SCHEDULE G–3.

Character of service.

Gas of an average heating value of 570 British thermal units per cubic foot will be applied under this schedule for light, heat and power service.

Territory.

This rate applies to the following localities: City of Sacramento and suburbs, city of Fresno and suburbs.

Rate.

On the basis of monthly consumption per meter.

$0 80 for the first 500 cubic feet or less.
1 40 per 1000 cubic feet for the next 4,500 cubic feet.
1 25 per 1000 cubic feet for the next 5,000 cubic feet.
1 05 per 1000 cubic feet for the next 10,000 cubic feet.
95 per 1000 cubic feet for all over 20,000 cubic feet

SCHEDULE G–4.

Character of service.

Gas of an average heating value of approximately 535 British thermal units per cubic foot will be supplied under this schedule for light, heat and power service.

Territory.

This rate applies to the following localities:

(1) Within the Alameda County district, Hayward, San Leandro, Richmond and contiguous suburban territory.

(2) Within the Redwood district, Daly City, Burlingame, Hillsborough, Redwood City, San Mateo, South San Francisco and contiguous suburban territory.

This rate does not apply to gas served in the city of Palo Alto for redistribution.

Rate.

On the basis of monthly consumption per meter.

$0 80 for the first 500 cubic feet or less.
1 45 per 1000 cubic feet for the next 4,500 cubic feet.
1 25 per 1000 cubic feet for the next 5,000 cubic feet.
1 15 per 1000 cubic feet for the next 10,000 cubic feet.
1 05 per 1000 cubic feet for the next 20,000 cubic feet.
95 per 1000 cubic feet for all over 40,000 cubic feet.

SCHEDULE G–5.

Character of service.

Gas of an average heating value of 570 British thermal units per cubic foot will be supplied under this schedule for light, heat and power service.

Territory.

This rate applies to the following localities: City of Vallejo and suburbs.

Rate.

On the basis of monthly consumption per meter.

$0 80 for the first 400 cubic feet or less.
1 60 per 1000 cubic feet for the next 4,500 cubic feet.
1 30 per 1000 cubic feet for the next 5,000 cubic feet.
1 10 per 1000 cubic feet for the next 10,000 cubic feet.
95 per 1000 cubic feet for all over 20,000 cubic feet.

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SCHEDULE G-6.

Gas of an average heating value of 570 British thermal units per cubic foot will be supplied under this schedule for light, heat and power service.

Territory.

This rate applies to the following localities within Marin district: San Rafael, San Anselmo, Fairfax, Ross, Kentfield, Larkspur, San Quentin and contiguous suburban territory.

Rate.

On the basis of monthly consumption per meter.

$0 80 for the first 400 cubic feet or less.
1 90 per 1000 cubic feet for the next 4,600 cubic feet.
1 40 per 1000 cubic feet for the next 5,000 cubic feet.
1 15 per 1000 cubic feet for the next 10,000 cubic feet.
1 05 per 1000 cubic feet for all over 20,000 cubic feet.

SCHEDULE G-7.

Character of service.

Gas of an average heating value of 570 British thermal units per cubic foot will be supplied under this schedule for light, heat and power service.

Territory.

This rate applies in the following localities:

Chico district—City of Chico and suburbs.

Marysville district—City of Colusa and suburbs, Marysville, Yuba City and suburbs, Oroville, Orovista and suburbs.

Napa district—City of Napa and suburbs.

Nevada district—Grass Valley, Nevada City and suburbs.

Northern district—Redding and suburbs, Red Bluff and suburbs, Willows and suburbs.

Petaluma district—City of Petaluma and suburbs.

San Jose district—City of Los Gatos and suburbs.

Santa Rosa district—Santa Rosa, Sebastopol and contiguous suburban territory.

Yolo district—City of Woodland and suburbs.

Rate.

On the basis of monthly consumption per meter.

$1 00 for the first 500 cubic feet or less.
1 90 per 1000 cubic feet for the next 4,500 cubic feet.
1 60 per 1000 cubic feet for the next 5,000 cubic feet.
1 25 per 1000 cubic feet for the next 10,000 cubic feet.
1 10 per 1000 cubic feet for all over 20,000 cubic feet.

SCHEDULE G-8.

Character of service.

Gas of an average heating value of approximately 540 British thermal units per cubic foot will be supplied under this schedule for light, heat and power service.

Territory.

This rate applies in the city of San Jose and suburbs.

Rate.

On the basis of monthly consumption per meter.

$0 80 for the first 500 cubic feet or less.
1 35 per 1000 cubic feet for the next 4,500 cubic feet.
1 20 per 1000 cubic feet for the next 5,000 cubic feet.
1 00 per 1000 cubic feet for the next 10,000 cubic feet.
95 per 1000 cubic feet for all over 20,000 cubic feet.

It is hereby further ordered, that Pacific Gas and Electric Company shall file with the Railroad Commission within ten days of the date of this order the schedule of gas rates herein established.

It is hereby further ordered, that Pacific Gas and Electric Company set aside for maintenance of its gas properties the sum of not less than

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$65,000 per month commencing April, 1921, the unexpended amounts thereof to be held in a reserve.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirty-first day of March, 1921.

DECISION NO. 8814.

IN THE MATTER OF THE APPLICATION OF NORTHERN CALIFORNIA WOOL WAREHOUSE COMPANY FOR PERMISSION AUTHORIZING THE ISSUE OF TWENTY-FIVE THOUSAND DOLLARS PAR VALUE OF STOCK.

Application No. 6697.
Decided March 31, 1921.

Fred A. Ellenwood, for Applicant.
MARTIN, *Commissioner*.

OPINION.

Northern California Wool Warehouse Company asks permission to issue and sell at par $25,000 of its common capital stock.

The record shows that applicant corporation was incorporated on or about March 7, 1921, with an authorized capital stock of $25,000, divided into 500 shares of the par value of $50 each. Applicant was organized for the purpose of securing and operating a proper place for the storing and grading of wool and for the purpose of acting as agent for wool growers in transferring their wool direct from the grower to the mill and to aid the wool grower in marketing the wool.

Applicant reports that it has leased for a term of three years a one-story brick building 300 by 300 feet from the Stanford Ranch Company of Vina, which building it intends to use as a warehouse for the purpose of storing wool. The rental for the warehouse is fixed at $1,200 for the first year, $1,800 for the second year and $2,400 for the third year. Applicant is given an option to renew the lease on the expiration of three years for a term of five years at a rental of $3,000 per annum.

Applicant has submitted a statement showing that it will require at least $16,500 to establish, operate and conduct its business until such time as an income is derived from the selling and storing of wool in its

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warehouse. The purposes for which applicant estimates it will have to expend the $16,500 are reported by it as follows:

Lease of the warehouse for one year	$1,200 00
Automobile	1,000 00
Salary of warehouse superintendent	2,400 00
Grading 1,000,000 pounds of wool at ½ cent per pound	5,000 00
Improvements and repairs on warehouse	1,250 00
Scales for weighing	220 00
Stationery and printing	150 00
Incorporating expense	50 00
Warehouse labor for weighing and handling wool	1,000 00
Office expense	600 00
Insurance on wool in storage	1,500 00
Freight advances on wool	1,250 00
Trucks and other equipment	80 00
Traveling expenses of warehouse superintendent selling stock and securing wool consignments	800 00
Total	$16,500 00

It appears to us that some of the properties which applicant intends to acquire and some of the expenditures which it intends to make will not be for public utility purposes. The order herein will require applicant to file with the Railroad Commission a stipulation duly authorized by its board of directors agreeing that it, its successors and assigns, will never ask the Railroad Commission, or any other public body having jurisdiction, to include in a rate base such an amount of the proceeds realized from the stock herein authorized as may be expended for nonpublic utility property or purposes.

Applicant agrees that it will sell its stock only to bona fide wool growers and that such stock will be sold at par without the payment of any brokerage or commission fees.

I herewith submit the following form of order:

ORDER.

Northern California Wool Warehouse Company having applied to the Railroad Commission for permission to issue $25,000 of its common capital stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of $16,500 of stock is reasonably required by applicant at this time, and that the proceeds from the remaining $8,500 of stock should not be expended by applicant except for such purposes as the Railroad Commission may hereafter authorize by a supplemental order or orders herein;

It is hereby ordered, that Northern California Wool Warehouse Company be and it is hereby authorized to issue $25,000 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold by applicant on or before November 15, 1921, for cash, at not less than par.

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2. Of the proceeds realized from the sale of the stock, the issue of which is herein authorized, applicant may use not exceeding $16,500 for the purpose of establishing, operating and conducting its wool warehouse business as outlined in this application. The remainder of the proceeds obtained from the sale of the stock, together with any portion of the $16,500 not required for any of the purposes indicated in this application, shall be expended only for such purposes as the Railroad Commission may hereafter authorize by supplemental order or orders herein.

3. Northern California Wool Warehouse Company within thirty days after the date hereof shall file with the Railroad Commission a stipulation duly authorized by its board of directors declaring that Northern California Wool Warehouse Company, its successors and assigns will never ask the Railroad Commission, or any other public body having jurisdiction, to include in a rate base such an amount of the stock as may represent, or be offset by nonpublic utility properties or expenditures, and a supplemental order made reciting that such stipulation satisfactory in form has been filed with the Railroad Commission.

4. Northern California Wool Warehouse Company shall keep such record of the issue, sale and delivery of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirty-first day of March, 1921.

DECISION No. 8815.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER ESTABLISHING JUST AND REASONABLE RATES FOR THE SALE OF ELECTRICITY.

Application No. 5394.
Decided March 31, 1921.

JURISDICTION—WHOLESALE SERVICE—RATES TO MUNICIPALITIES.—In a proceeding looking toward the revision of all electric rates of a public utility, the rates for wholesale power delivered by the utility to a municipality for redistribution purposes is subject to adjustment by the Railroad Commission the same as other rates of the public utility applicant.

CAPITAL REQUIREMENTS—ELECTRIC RATES—REASONABLENESS OF.—The Railroad Commission, while appreciating the interrelation between the earnings of a public utility and its ability to command new capital from investors to provide

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additional facilities to care for the demands made upon it for service, holds that it will not permit applicant or any other public utility to charge in excess of a reasonable rate in order that such additional capital can be secured, the primary consideration being a fair return upon the properties used and useful in the public service.

ELECTRIC UTILITIES—RAILROADS—INVESTMENT IN—NECESSITY FOR.—Investment made by an electric utility in railroad property will be considered as operative property of the electric company when it is shown that such road is necessary in the construction and operation of power houses of the electric company. Excessive earnings of the railroad properties during one year of its operation is, however, deducted from the total investment allowed as part of the operative property of the electric utility.

WORKING CAPITAL—MATERIALS AND SUPPLIES—ALLOWANCES FOR.—In making allowances for working cash capital and materials and supplies for applicant herein, a corporation with an investment of approximately $91,000,000, the Commission holds that the sum of $1,000,000 as working capital and $1,700,000 for materials and supplies is reasonable and adequate.

REPRODUCTION COST—BASIS OF COMPUTING—EXISTING PRICES.—The Railroad Commission while agreeing that to construct plants now in existence, under conditions of labor and material costs during the past year, would result in a much greater figure than the investment, it holds that reproduction cost new or depreciated, based upon price conditions existing during 1919, 1920 and 1921 is not a reasonable basis for rate fixing purposes except in so far as it applies to those portions of the properties that were constructed during the period of higher prices. The sum of $94,075,000 is found to be a reasonable rate base for the year 1921.

ELECTRIC RATES—RATE OF RETURN.—The Commission has heretofore generally found that 8 per cent was a reasonable return under conditions prior to 1918. However, since January, 1918, the cost of money to applicant herein has averaged from 7 to 8 per cent and to meet its obligations and attract capital a utility must be allowed something in excess of the bare cost of money. A return of 8 per cent is found reasonable for money invested prior to January, 1918, and 9 per cent on money invested subsequent to that date, which will provide an average return to applicant of 8.3 per cent.

ADVANCES FOR EXTENSIONS—RATE OF RETURN—NO ALLOWANCES FOR.—Advances made by consumers for extensions which are not in themselves entirely remunerative, will not be considered in determining the proper rate of return inasmuch as the utility does not pay interest thereon.

DEPRECIATION ANNUITY—INTEREST ACCRUALS.—Depreciation annuity allowed with the provision that the utility not only account for the annuity estimated, but for interest on the reserve as well, and that interest be calculated not only on the amount now carried in the reserve but on the amount that would be in reserve had such interest been properly accounted for since the establishment of the reserve, depreciation reserve to be accredited with interest at the rate of 6 instead of 5 per cent.

CONTINGENCY RESERVE—ESTABLISHMENT OF—NECESSITY FOR.—The Commission while fully agreeing with applicant as to the desirability of establishing a contingency fund for the purpose of stabilizing rates, such fund to care for unforeseen increases in operating costs due to dry years, oil prices, etc., it is not in favor of establishing rates to provide such a fund due to the general tendency to lower levels in the costs of labor and materials. Applicant should, however, set aside in such a fund earnings during the year 1920 and the first three months of 1921 which it received in excess of the estimated reasonable return heretofore made by the Commission.

EFFICIENCIES—SAVINGS DUE TO—UTILITY AND EMPLOYEES TO BENEFIT FROM.—The Public Utilities Act of the State clearly provides for the approval of a plan for permitting a utility to share in savings due to efficiencies in operation and the Commission welcomes a sound and logical plan whereby the utility and the public would share in the savings from such operation. The plan to become effective, however, must result in improved service and reduced rates to the consumers. The Commission will not at this time make any additional allowance under the above head, holding that consumers should not be required to pay a bonus in order to urge the company and its employees to effect all possible efficiencies.

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RATE SCHEDULES—SERVICE—DETERMINATION OF.—The determination of rate schedules is of special importance to the various classes of consumers and to individuals. Consideration must be given to the cost of service as far as it can be determined, to the value of the service and the conditions of delivery. The type of rates and any special conditions existing must also be considered as the size and character of consumers' installations depend to a certain extent upon the type of schedule in effect.

WHOLESALE RATES—MUNICIPALITIES—DISCRIMINATION IN.—The Commission holds the practice of granting preference to resale companies or cities is not justified and only results in discrimination against the general public outside of the municipalities favored. A standard schedule which is designed to apply to large resale and wholesale services of power es established, to cover all this class of business.

ELECTRIC RATES—WHOLESALE SERVICE TO LARGE CONSUMERS.—The Commission rejects the claims of Pacific Electric Railway Company, Los Angeles Railway Corporation and city of Los Angeles that their service is of a special nature and beneficial to other consumers in that the purchase and use of large quantities of energy reduces the total cost of manufacture and should entitle them to a reduction in the present schedule. A service rendered below a reasonable cost for its particular class would be unfair to other consumers in that it would require them to bear an unjust proportion of the total cost of service.

Roy V. Reppy, B. F. Woodard, and *E. C. Farnsworth,* for Applicant.
E. I. Feemster and *C. H. Holly,* for San Joaquin Valley Public Utility Association.
William C. Ring, Jr., for Madera County Branch of San Joaquin Valley Public Utility Association, C. H. Holly and H. J. Evans.
James F. Farraher and *Edson Abel,* for Farm Bureau of Kern County.
N. B. Bachtell, for Farmers of Antelope Valley.
W. L. York, for Farm Bureau of Orange County.
Warmer and Jones, for Imperial Farm Bureau, Chino Farm Bureau and San Bernardino Farm Bureau.
I. A. Engle, for Gardena Valley Chamber of Commerce.
S. Garband, for Sunnyside Garden Acres.
L. B. Drake, for Placentia Orange Growers.
S. E. Saunby, for Tustin Farm Center.
Z. T. Nelson, for Signal Hill Improvement Association of Long Beach.
J. P. Easter, for Residents of Strawberry Park.
H. F. White, for Huntington Park Chamber of Commerce.
G. A. French and *M. Estudillo,* for City of Riverside.
Jeff. G. Wingert, for City of Whittier.
L. O. Hatch, for City of Eagle Rock.
M. O. Hert, for City of Colton.
H. F. Orr, for the City of San Buena Ventura.
T. C. Gould and *Grant M. Lorrain,* for the City of Alhambra.
C. H. Scott, for the City of Santa Ana.
L. W. Blodgett, for the City of Huntington Beach.
E. J. Marks and *Albert Lonner,* for Cities of Fullerton and La Brea.
R. V. Orbison and *William Hazlett,* for City of South Pasadena.
George L. Hoodenpyl, for City of Long Beach.
Charles S. Burnell and *Jess E. Stephens,* for City of Los Angeles.
Howard Robertson and *W. B. Mathews,* for Public Service Commission of the City of Los Angeles.
H. Z. Osborne, Jr., for Board of Public Utilities of the City of Los Angeles.
Lew H. Wallace, for City of Newport Beach.
H. G. Ames, for City of Anaheim.
William Guthrie, for City of San Bernardino.
Thomas B. Reed, for City of Covina.
Clyde Woodworth, for Cities of Inglewood, El Segundo, Beverly Hills.
Victor McLucas, for City of Santa Monica.
W. W. Phelps, for City of Hermosa Beach.
Walter F. Dunn, for Cities of Arcadia and El Monte, Walnut Grove Mutual Water Company and La Puente Cooperative Water Company.
John F. Imol, for Culver City.
John P. Dunne, for City of Monrovia.
Rolph C. Homan, for City of Chino.

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C. Arrasmith, for City of Fillmore.
E. B. Criddle, for The Southern Sierras Power Company.
Earl E. Moss, for Ojai Power Company.
Frank Karr, for Pacific Electric Railway Company.
C. L. McFarland, for Riverside Portland Cement Company.
Glenn D. Smith, for Ontario Power Company.
C. A. Storke, in *propria persona*.
Charles E. Haas, for Vincent Smith.
S. M. Haskins, for Los Angeles Railway Corporation.
Geo. A. Atwood and *F. C. Finkle*, for Redlands and Yucaipa Land Company, Yucaipa Water Company No. 1, South Mesa Water Company, Western Heights Water Company.
George E. Farrand and *Leonard B. Slosson*, for Riverside Highland Water Company.
F. W. Conrad, for Tract 180 Water Company.
Head and Rutan, for Santa Ana Valley Irrigation Company and San Diego Orange Growers Association.
Jacob Storel, for South Side Improvement Company.
A. E. Weed, for Potrero Heights Water Company.
J. M. Joyce, for Water Company of Lankershim.
G. A. Bastanchury, for Bastanchury Ranch Company.
J. H. Barton, for Yerba Linda Water Company.
A. M. Bernhardt, for Glendora Consolidated Irrigating Company.
Joseph H. Call and *Asa V. Call*, for California Portland Cement Company.
F. W. Foster, for Artesia Hatchery.
W. W. Coke, for Lucerne Water Company of Ontario.
L. F. Stephenson, for Moneta Water Company.
W. J. Irving, for Lindsay-Strathmore Irrigation District.
M. E. Power, for Visalia Electric Railroad Company.
L. L. Dennett, for Terra Bella Irrigation District.

BY THE COMMISSION.

OPINION.

Southern California Edison Company, hereinafter designated as Edison Company, or applicant, applies for an examination and investigation of its electric rates, and an order of the Commission establishing just and reasonable rates. The application as originally filed first sought emergency relief to meet the shortage of water power then imminent, to be followed by a comprehensive investigation of all electric rates. Hearings were held on the emergency phase of the proceeding and on April 15, 1920, the Commission issued its Decision No. 7424, authorizing Edison Company to increase its rates by the addition of a surcharge of 27 per cent, such surcharge to continue in effect until the twentieth day of January, 1921, unless otherwise ordered. This decision was reached from the showing that applicant's costs were materially increased on account of increased cost of oil, labor and a reduction in hydroelectric output due to a pending dry year and was intended to preserve the financial status of the applicant during the interim.

Beginning in September, 1920, extended hearings were held in Los Angeles and Visalia for the taking of evidence on the larger question of the determination of reasonable rates of a more stable character and the matter was finally submitted on December 9, 1920, and the matter is now ready for decision.

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We have before us, therefore, the fixing of rates to be charged for electric service throughout the entire territory supplied by Southern California Edison Company inclusive of the territory formerly supplied by the Mount Whitney Power and Electric Company, whose properties and business were acquired on July 1, 1920. The rates for electric service supplied from that part of the Edison system leased to the city of Los Angeles are not affected by this proceeding by reason of the so-called "operating agreement." The rate for electricity delivered wholesale by Edison Company to the city for use on the leased system is subject to adjustment herein.

Southern California Edison Company is the second largest electric utility in the state, its service covering parts of the counties of Fresno, Kings, Tulare, Kern, Los Angeles, Orange, Ventura, San Bernardino and Riverside, and to Santa Barbara County through a subsidiary company.

On January 1, 1920, the installed capacity of applicant's generating plants was 220,500 kilowatts, consisting of 115,750 kilowatts of hydroelectric equipment and 104,750 kilowatts of steam plants. It operates approximately 1500 miles of high-tension transmission line and 16,000 miles of distribution lines. Service is rendered directly to 112,000 consumers, and, in addition, to approximately 80,000 customers who are served from its system in the city of Los Angeles leased to that municipality. Its sales of electricity for lighting purposes approximate 55,000,000 kilowatt hours per annum; for agricultural power service, 160,000,000 kilowatt hours; for general industrial and commercial power service, 180,000,000 kilowatt hours; for railway power service to the Los Angeles Railway and Pacific Electric Railway, 290,000,000 kilowatt hours; for cement plant operation, 60,000,000 kilowatt hours, and to municipalities and smaller electric utilities for redistribution, approximately 65,000,000 kilowatt hours.

In addition to the power plants already in operation, applicant has under construction hydro plants aggregating 70,000 kilowatts in capacity to be completed before August 1, 1921, and extensive additions to its transmission and distribution systems.

The rates now charged by Edison Company on the main portion of its system have not heretofore been subject to formal investigation by the Commission except in connection with slight revisions following the consolidation of the Edison Company and Pacific Light and Power Corporation. They are largely the outgrowth of competitive conditions with different utilities and other forms of power. To meet emergency conditions during the last two years, surcharges have been authorized by the Commission, first in Decision No. 6000, dated December 21, 1918, and subsequently by Decision No. 7424, dated April 15, 1920.

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The rates effective in the valley districts, formerly supplied by Mount Whitney Power and Electric Company's system, were established after an exhaustive investigation by the Commission in 1916, later revised by this Commission by the addition of surcharges in 1918 and 1919, and again modified by Decision No. 7304 in Application No. 5172, dated March 23, 1920. The rates under the last decision were to some degree fixed in view of the power shortage which was then in prospect and were intended to continue in effect until April 1, 1921. The subsequent consolidation of these properties with the Southern California Edison Company now brings the valley districts within the scope of this proceeding.

The situation affecting electric utilities in California has been critical for the past three years. Practically all power development ceased during the period of the war although a large increase in the demands for electric service resulted from the economic conditions existing. Upon the cessation of war, it was essential that the utilities in California commence the development of new power plants, especially hydro-electric, in order to meet the increasing demand for power and to reduce the consumption of oil, which latter commodity was becoming scarce. Applicant commenced, in 1919, an active construction program for the development of hydro-electric plants and is now actively engaged in the completion of hydro-electric plants totaling 70,000 kilowatts. Applicant set forth at considerable length a proposed development program, which contemplates during the next fifteen years the construction of power plants to the amount of 750,000 horsepower at a cost of $200,000,000. Although the evidence regarding this fifteen-year program is instructive and the figures spectacular, we are more concerned with the immediate needs of the territory supplied than with the distant future. Applicant is at this time expending money at the rate of approximately $1,000,000 per month and will have invested during the years 1919, 1920 and 1921 in excess of $25,000,000 in new developments. The growth of demand for power on its system has been at a rate which, if maintained in the future, will require a continuance of the present program. Applicant's officers are of the opinion that a material benefit will result from carrying on the proposed development program and promise an ultimate reduction in the cost of service as a result thereof.

The intimate connection of this Commission with the recent power shortages in northern California and the San Joaquin Valley and the frequent appeals by prospective consumers of Edison company itself for assistance in securing service have made very apparent the growing dependence of the public on reliable and adequate supply of electric power.

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Edison company proposes for the consideration of the Commission that its rates be established so as to provide, in addition to its operating expenses, a return sufficient to pay its interest and dividend requirements, to establish a contingency reserve which will insure the continuity of its dividend rates and will provide for the fluctuation in its operating expenses without corresponding changes in its rates in years of large and small water supply for hydro-electric generation. In addition to these requirements, it proposes a substantial surplus and a plan whereby a portion of this surplus and the savings to be derived through efficiencies in operation may be divided between its consumers, its employees and the company itself as a reward for efficiency.

The Commission fully appreciates the interrelation between the earnings of a utility and its ability to command new capital from investors to provide the facilities required by the growing demands of its business and its obligation to the public. This does not mean, however, that the Commission will permit applicant or any other utility to charge in excess of a reasonable rate in order that additional capital can be secured.

No measure of earnings can be approved by a body, such as this commission, charged with the protection of the public interest which does not result, for equal benefits, in a rate as low as, or lower, than the rate which would be fixed upon the standard accepted basis of a fair return upon the reasonable value of the utility properties. In this, therefore, as in other rate-fixing proceedings, the primary consideration is a fair return upon the properties used and useful in the public service.

The first problem to be solved, therefore, is the determination of a proper rate base and what is a fair return to be allowed thereon, the fixing of reasonable depreciation annuity and operating expenses. Edison Company introduced through testimony and exhibits a complete valuation of its properties on the historical investment basis made by Mr. Arthur R. Kelley. Mr. Kelley has been connected with the Edison Company, at intervals, for many years, and has made a number of inventories and valuations of parts of their system, covering a total of $14,000,000 worth of property. He has now combined and checked these valuations, compared the results with the value of the same properties as now carried on the company's books, and, finding the book figures to agree with his investment figures, has accepted the book value of the entire system after carefully eliminating adjustments and intangible items. The valuation of the property of the former Mount Whitney Company submitted is the value determined by this Commission as of June 30, 1915 (Decision No. 3242, Opinions and Orders of the Railroad Commission of the State of California, volume 9, page 629), with the addition of the actual cost of plant constructed since that date.

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The Commission had its engineering department make an investigation to determine whether the valuation made by Mr. Kelley and investment reported were reasonable. The report of the Commission's engineers submitted in the proceeding is to the effect that they find the valuation submitted by Mr. Kelley to represent the reasonable investment in physical properties and also to represent closely the historical reproduction cost.

In the investment figure submitted by Mr. Kelley (which for June 30, 1920, was $70,892,853.41) is included the investment in the San Joaquin and Eastern Railroad, reported as $1,306,197.05. This road was constructed in connection with the building of the Big Creek power plants of applicant and the evidence shows that it was a necessary part of the construction plant. The road was incorporated separately though the securities are all owned by applicant and the road is at present controlled entirely by that company. Regular tariff rates are charged, but the evidence shows that the railroad practically failed to pay operating expenses during 1919 and 1920 and is expected to operate at a deficit of $100,000 during 1921.

The road is a necessity in the operation of existing power plants and the construction of new ones, and, as it cannot be abandoned, it is apparent that it is a part of the necessary operative property. Even though under a separate name, we must conclude that at least a large portion of the investment should be considered in the operative property of applicant. This is especially true when it is further considered that in site of the corporate name the road was really financed by the power company.

An analysis of the railway company's past operations shows that under the tariff rates charged a very large profit was made during the first year of its operation, while the Big Creek developments were being constructed. The records for the year ending June 30, 1913, show a net revenue of $436,086.91 with an investment of $1,204,367.15. Deducting reasonable interest and rental charges it would appear that there was a profit in excess of the cost of operation of the road and interest requirements during that year of $350,000. It must be concluded that as this was received from the tariff rates, an equal amount in excess of the out-of-pocket cost was included in the cost of the electric development. It appears logical, therefore, in following the proposal that this road be included as part of the operative investment of the Edison Company, that the net capital should be reduced by $350,000. As to the operations thereafter, it appears that the railway operated on the average at either a very slight net return or an actual loss except for the year 1917, when applicant was again doing a large amount of construction work and an earning slightly in excess of bond interest

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resulted. We must conclule that an allowance of $950,000 for the railroad as part of the operative property of applicant is all that reasonably should be included.

To the total investment in physical property as found by Mr. Kelley there have been added amounts for working cash capital, stores and supplies and estimated net additions and betterments to operative capital to June 30, 1921. Applicant claims $2,573,032 for working cash capital for 1921, which amount is derived from a consideration of its assets and liabilities. We find, in this instance, that a reasonable allowance for working cash capital will be the sum of $1,000,000 instead of the amount of $2,573,032 included by applicant. Applicant's claim for materials and supplies is likewise excessive and a reasonable amount has been included instead. Making the corrections above referred to, we find that the reasonable investment in operative properties as of June 30, 1921, upon which applicant is entitled to a fair return, is as set forth in the following table:

Reasonable Operative Investment, Southern California Edison Company, as of June 30, 1921.

	June 30, 1920	June 30, 1921
Lands	$2,188,151 32	
Production capital, including San Joaquin and Eastern Railroad	27,680,808 59	
Transmission	10,609,619 28	
Distribution	25,722,945 13	
General	4,335,132 04	
Total plant June 30, 1920		$70,536,656 36
Additions and betterments to June 30, 1921		20,837,000 00
Total		$91,373,656 36
Material and supplies		1,700,000 00
Working cash capital		1,000,000 00
Total operative investment		$94,073,656 36

The additions and betterments from June 30, 1920, to June 30, 1921, above listed consist mainly of estimated cost of new power plants and transmission facilities and may be segregated as follows:

Production capital, including Kern No. 3, Big Creek No. 8, third unit in Big Creek No. 2 and Shaver diversion	$13,820,000 00
Transmission capital, including Vestal and Eagle Rock substation additions and Kern No. 3 to Vestal transmission line	2,495,000 00
General and distribution, less deduction of property in Pasadena sold to city of Pasadena	4,522,000 00
	$20,837,000 00

The above amounts represent the average operative capital addition, such part of the estimated total cost being allowed as is proportional to the part of the year 1921 that the plants will be in operation.

An estimate of the reproduction cost new depreciated of applicant's property was also submitted by Mr. A. R. Kelley based upon cost of

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construction under price conditions existing generally during the past two years. Mr. Kelley shows an estimated cost of reproduction new of $148,519,624, and reproduction cost depreciated of $128,731,081. Without question, to construct the plants now in existence under conditions of labor and material costs during the past year would result in a much greater figure than the investment. The Commission, however, does not hesitate to state at this point that reproduction cost new or reproduction cost depreciated based upon price conditions existing during 1919, 1920 and 1921 is not a reasonable basis for rate-fixing purposes except in so far as it applies to those portions of the properties that were, of necessity, constructed during the period of high prices. We find that the sum of $94,075,000 is a reasonable rate base for the year 1921.

The Commission in fixing rates for utilities, such as applicant, has generally found that 8 per cent was a reasonable return under conditions prior to 1918. Since January 1, 1918, money invested in property of this applicant has cost from 7 per cent to 8 per cent, and if a utility is to continue to meet its obligations and attract capital it must be expected that some profit on its enterprise be allowed in addition to the bare cost of the money invested. If we consider a return of 8 per cent as reasonable upon money invested prior to January, 1918, and 9 per cent on the money invested since that time, we find that the average rate of return upon the present investment in operative property in 1921 would be 8.3 per cent, while if a rate of return of 8½ per cent be considered on money invested in property since 1918, the average return would be 8.45 per cent.

A considerable sum of money on which no interest is paid by the company has been advanced by consumers for extensions of service which in themselves are not fully remunerative. The company has been authorized to require advances by applicants for service where the extensions are not entirely remunerative, partly to prevent undue burdening of existing consumers with the resultant extra cost and partly on account of the need of all obtainable money for the making of necessary developments. To allow a return upon the money so advanced would be unfair to the existing consumers, and it would also be unfair to those who advanced money unless the money is immediately returned to them. We believe, therefore, that the amount of money which has been advanced by consumers and on which no interest is paid should not be considered in determining the proper rate of return for this applicant.

It may be concluded, therefore, that a fair rate of return to be allowed for the year 1921 will be 8.3 per cent on the rate base heretofore set forth.

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Mr. Kelley submitted his estimate of the depreciation annuity to be allowed for the year 1921, using somewhat shorter lives than have heretofore been used by this Commission. A study, however, leads us to the conclusion that it is fair to allow the annuity estimated, on the condition that applicant will fully account to its depreciation reserve not only for the annuity estimated but for interest on the reserve as well, and that it calculate interest not on the amount now carried in the reserve, but on the amount that would be in the reserve had such interest been properly accounted for from the establishment of the reserve.

We can not agree with applicant that the depreciation reserve should be credited with only 5 per cent interest per annum. This reserve is largely reinvested in its properties and is consequently capable of earning a higher rate of interest than 5 per cent. We, therefore, include a depreciation annuity in this instance upon a 6 per cent interest basis.

Applicant reports a balance in depreciation reserve of $6,886,034.62 for the consolidated properties as of January 1, 1920. It estimates the reserve will have increased to $7,936,034.62 on January 1, 1921, which is approximately $800,000 less than the estimated accrued depreciation which Mr. Kelley computed as somewhat less than $8,750,000 as of June 30, 1920. If to the reserve as of January 1, 1917, there are added the annuities computed by Mr. Kelley, together with interest thereon, the amount in reserve on January 1, 1921, should be approximately $8,200,000. The amounts which have been appropriated to the reserve for depreciation during the past few years have been considerably less than the requirements as estimated by Mr. Kelley. We conclude that the accrued depreciation on the sinking fund basis as of January 1, 1921, should be at least the sum of $8,250,000.

In view of this fact, and the further fact that the accrued depreciation has largely been reinvested in plant, applicant must, out of its fair return, set aside to its depreciation reserve 6 per cent upon the accrued depreciation as above computed for the year 1921, or the sum of $495,000.

Applicant has estimated its operating expenses for 1921 largely upon the basis of 1920 conditions, with the exception of the amount and cost of fuel oil, which are modified to conform to an average water year and a price of $2.50 per barrel for oil. No increase in the rate of wages or the price of materials other than fuel oil has been included. From a consideration of the evidence it appears that in general applicant has used a reasonable basis for its operating costs for 1921 considered as a normal year of hydroelectric generation. There has been included, however, in operating expenses the entire amount of the deficit in operations of its subsidiary, the

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San Joaquin and Eastern Railroad, estimated for the year 1921 at $100,000. The gross receipts of this road come from its regular tariffs charged for hauling freight and passengers in connection with the operation of the existing plants, the construction of new plants and the handling of general freight and passenger business in operating as a public utility. We can not conclude that the electric consumers should be burdened with all this deficit. If San Joaquin and Eastern Railroad's tariffs are too low to pay operating expenses they should, possibly, be increased. In view of the general division of its business we must conclude that not to exceed one-third of the deficit should be charged to electric operation. The balance must be absorbed by applicant unless its tariffs can be reasonably increased to make up the deficit.

In determining the cost of fuel oil and purchased power applicant has ascertained the amount of oil required on the average percentage of steam power estimated for 1921, 1922 and 1923, assuming an output during those years on the basis of average water power conditions. In considering definite rates of a stable character, average conditions should be used, but it appears that this basis of determining average oil requirements is not entirely correct when consideration is given to the effect of increased business. Applicant has assumed an oil price of $2.50 per barrel as compared with a present price of $2 f.o.b. Long Beach, an average cost during 1920 of approximately $1.88 per barrel and a price as of January 1, 1920, of $1.63 per barrel. An average price of $2 per barrel will be used herein. Applicant estimates only a nominal amount of purchased power during 1921, although it has negotiated for the purchase of surplus power from San Joaquin Light and Power Corporation at a cost slightly less than the cost of oil-produced power. From these considerations a reduction in the company's estimated cost of fuel oil and purchased power of $250,000 will be made.

Applicant's estimate of taxes is based on conditions existing in 1920. The rate of taxation by the State has been increased from 5.6 per cent to 7.3 per cent of the annual gross revenue. The result of this is a net increase in operating expenses based on the estimates herein of $260,000, making the total taxes chargeable to operation $1,460,000. The total estimate of operating expense for 1921, based on average hydroelectric power supply with other conditions as expected, is found to be $6,130,000.

The following table sets forth the total cost of service for 1921 on the general basis heretofore followed by this Commission:

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Southern California Edison Company—Electric Department, 1921.

Rate base	$94,075,000 00
Return at 8.3 per cent	$7,808,225 00
Depreciation annuity	1,400,000 00
Operating expenses	6,130,000 00
Total gross revenue required from electric operation	$15,338,225 00
Less:	
Net from city of Los Angeles	$1,175,000 00
Miscellaneous electric revenue	60,000 00
Revenue required from rates	$14,103,225 00

Compared with the above requirement of $15,338,225 gross revenue from electric operations, Southern California Edison Company submitted in its Exhibit No. 31 the gross revenue which it estimated as necessary to meet its financial requirements at $16,676,000 or $1,337,775 more than set forth on the above basis. The above amount was built up as follows:

Southern California Edison Company—Financial Requirements, 1921.

Operating expenses and rent of plant	$6,186,000 00
Depreciation reserve	2,000,000 00
Equalizing financial reserve	650,000 00
Annual charges for interest, dividends and sinking fund	7,059,000 00
Surplus requirements:	
One-fourth to employees	265,000 00
Three-fourths to surplus account	794,000 00
Total	$16,954,000 00
Less net nonoperating reserve	278,000 00
	$16,676,000 00

The difference between the findings on the general basis herein set forth, and the proposal of Southern California Edison Company, needs careful consideration, for if applicant's reasonable financial needs are as great as set forth by it serious results may occur in its development in the future by the allowing of the much smaller amount.

The proposal of applicant as to operating expenses and depreciation have hereinbefore been considered. These two items as allowed herein together with the interest on the accrued depreciation which applicant includes with the annuity in the sum of $2,000,000 are in total $161,000 less than applicant's estimates.

In applicant's proposal there is included as annual fixed charges for the year 1921 the sum of $7,059,000. This covers all bond and note interest, miscellaneous interest, dividends upon second preferred stock of 5 per cent per annum, and dividends at 8 per cent upon the common and first preferred stock. Edison company's dividend rate on common stock has been 7 per cent per annum since October 15, 1916. It now urges that it cannot carry on its development program without increasing the dividend rate on common stock, and, since the hearings

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in this proceeding, applicant has so increased it. Mr. A. N. Kemp, applicant's vice president in charge of finances, testified that it is essential that it sell at least $10,000,000 of common stock during the current year to continue its developments. He was firmly of the opinion that common stock cannot be sold readily upon a 7 per cent dividend basis. Mr. W. C. Fankhauser, the Commission's expert in charge of finance and accounts, testified that in his opinion it would not be possible for applicant to finance large developments at this time on the basis of 7 per cent dividend; that to carry on its development program it is necessary for Edison company to sell large blocks of common stock, and that such sales can be effected only if the company will pay 8 per cent dividends. This testimony relates to the question of finance and not to the reasonableness of the return to meet this requirement.

Applicant proposes that in addition to the fixed charges already noted, it should be allowed to earn a surplus equivalent to 15 per cent of such fixed charges, or $1,059,000. It proposes, however, that one-quarter of this amount shall be paid as a reward to its employees in the form of a bonus for present efficiency, and also as a stimulant for further efficiency. Without considering that portion which the company proposes to pay its employees, Mr. W. C. Fankhauser testified that the company should be able to finance reasonably on the basis of a surplus of approximately $350,000, provided, in addition, a contingency financial reserve is allowed.

The second step in the proposal of the Edison company—the establishment of a contingency reserve—is primarily an attempt to protect against contingencies and to meet the wide fluctuations in operating expenses and in net income that necessarily result from the variation in rainfall and water supply of hydroelectric plants occurring from year to year. This proposal is applicable to the basis of rate fixing generally followed as well as the proposal of applicant and has much in its favor. California utilities that have been dependent in a large measure upon hydroelectric supply have met the low-water conditions during the past four years by the generation of steam power with oil fuel and have been compelled to seek relief at the hands of the Commission in the form of increased rates to meet the abnormal expense resulting. It is apparent that during periods of wide variation in the amount of hydroelectric power available to a utility, a corresponding fluctuation in its rates must take place unless the variation in conditions from year to year can be absorbed in a reserve, which in dry years will be drawn upon to provide the additional operating expense, and which in wet years will be replenished from the larger net revenues resulting.

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It has been clearly shown in the evidence in this proceeding that there is such extreme variation in the operating expenses of a utility dependent largely upon hydroelectric sources for its power as to justify some automatic means of preventing these fluctuations from unduly affecting both rates and income, and this is particularly true in the case of applicant. At this time, however, Edison company has no such reserve and proposes that for a sufficient period in the future it will build up such a reserve out of its earnings so that the reserve will aggregate enough to absorb the fluctuations in rates and earnings that would otherwise result from a succession of wet and dry years. Applicant proposes that this reserve shall be set aside prior to the accounting for surplus and that it be held at all times in cash or government securities, and that the earnings to be added to the reserve in wet years and the deficiencies to be withdrawn in dry years shall be under the direction of the Commission. While the principal purpose of the reserve is that of meeting the conditions of variable hydroelectric supply, it is also suggested that the reserve can be properly used to meet other unusual changes in operating costs, emergencies not considered in normal operation, and as a means of postponing possible increases or hastening reductions in rates by drawing on the reserve. Under the peculiar conditions incident to hydroelectric operation in California and the unquestioned desirability of electric rates of a stable and uniform character, the proposal relating to the establishment of this reserve should meet with favor by a regulatory body.

It is proposed by applicant that there should be allowed, in addition to all other costs, an item of $650,000 to be used in building up a contingency reserve to insure the continuity of earnings and the stability of rates, this amount to be set aside for a period of three years, so that a basic reserve of approximately $2,000,000 will be maintained.

In selecting this amount to be included in annual requirements applicant has in mind guarding against contingencies such as:

(*a*) Year 1921 being a year of less than normal rainfall, with the resultant increased costs and operating expenses.
(*b*) Increase in the price of oil in excess of that estimated.
(*c*) Unforeseen or sudden increase in cost of labor and supplies.
(*d*) Unforeseen catastrophes.

At the present time the general tendency of costs is downward and it can hardly be expected that there will be an increase in labor costs or increase in cost of supplies. Any contingency reserve for these items does not appear necessary at this time. There is some possibility that oil may increase in price if the available supply is further decreased. There appears to be little likelihood that the water con-

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ditions during 1921 will be below normal. The economic conditions existing in the territory served by applicant are such that the public should not be burdened at this time with any charges in excess of the absolute minimum. Applicant, from its earnings of 1920, which were largely in excess of those anticipated, should, as hereinafter set forth, set aside a considerable sum to a contingency reserve, and, from its earnings during the first three months of this year, additional amounts can be accrued. In view of these facts we must conclude that, although the proposal of applicant to establish a contingency reserve should be followed out, no additional amount should be collected from consumers at this time. If special contingencies arise necessitating modification of rates, they will be given consideration as met. With this in view it does not appear that the lack of a contingency reserve allowance in the 1921 estimate will in any way seriously affect applicant's finances.

The third proposal of Edison company as to rewards for efficiency may be divided into two parts: It is first proposed that one-quarter of the surplus of $1,059,000, which it considers should be allowed, will be paid by the company to its employees as a stimulant to further efficiencies and as a reward for the efficiency which the company contends exists at the present time. The Public Utilities Act, in the following language, clearly authorizes this Commission to approve a plan for permitting a utility to share in the savings due to efficiencies or economies it may effect:

> Nothing in this act shall be taken to prohibit any public utility from itself profiting, to the extent permitted by the Commission, from any economies, efficiencies or improvements which it may make, and from distributing by way of dividends, or otherwise disposing of, the profits to which it may be so entitled, and the Commission is authorized to make or permit such arrangement or arrangements with any public utility as it may deem wise for the purpose of encouraging economies, efficiencies or improvements and securing to the public utility making the same such portion, if any, of the profits thereof as the Commission may determine.

We believe that utilities, which are largely monopolies and therefore not subject to the same active competition as most industries, have less incentive to maintain high efficiency, and we, therefore, welcome a sound and logical plan whereby utilites and the public may share in the savings from efficiencies and economies in operation. Such a plan, to be effective, as pointed out by former President Edgerton, must contemplate a reward to employees as well, and should in its application result in improved service and reduced rates to consumers.

Regarding the proposal of applicant that an allowance be made at this time, in addition to the estimated cost of operation, as a reward for present efficiency, it must be pointed out that the estimated costs for 1921 are based largely upon conditions existing in 1920, when, without question, there was a tendency to reduced efficiency in all lines of endeavor. It must be assumed that employees up to the present

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time have been adequately compensated by the utility for services rendered, and further, the evidence does not show that the company at this time is any more than reasonably efficient. The testimony of Mr. R. H. Ballard, general manager of the company, that great efficiencies could be obtained by the adopting of the plan, recognizes that the present efficiency is not perfect. The Commission, therefore, concludes that after allowing operating costs, including the total regular payroll, a sufficient margin exists for the company to practice and put into effect efficiencies and economies in operation. No bonus should be required at this time to be paid by consumers in order to urge the company and its employees to effect all possible efficiencies.

The second part of applicant's plan is, as far as we can determine, a proposal that increased profits from any cause be shared on the basis of 50 per cent to consumers, 25 per cent to the stockholders and 25 per cent to employees. It must be pointed out, however, that the Public Utilities Act does not contemplate a division of increased profits due to reductions in price of labor, materials and supplies, increased earnings due to reductions in the level of economic conditions, possible reductions in the price of oil or reduced cost of development of power resulting from conditions not under the control of the company.

The Commission is of the opinion that a workable plan for the division of the savings due to efficiencies and economies on the part of the company or its employees is desirable, and, while approval cannot be given the company's proposal in its present form, we invite a definite and specific plan providing for the determination of the savings properly due to increased efficiency and for their division between the company, its employees and its consumers. If such a plan is carefully developed, promptly submitted and finally approved, there is apparently no reason to prevent its application to any savings effected during the current year.

From the foregoing considerations it appears that Southern California Edison Company can meet its financial needs on a basis of 8.3 per cent on the rate base heretofore set forth as follows:

Net return at 8.3 per cent	$7,808,225 00
Net non-operating revenue	278,000 00
Total available to meet financial requirements	$8,086,225 00
Interest on reinvested depreciation reserve	495,000 00
Annual charges for interest, dividends and sinking fund	7,059,000 00
Balance for contingency reserve and surplus	$532,225 00

The Commission, in Decision No. 7424, in the emergency part of this proceeding, authorized applicant to increase its rates upon the then existing Edison system by 27 per cent, by reason of the emergency condition resulting from increased cost of oil and reduced hydroelec-

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tric output. The decision in this proceeding was rendered April 15, 1920, and subsequently water power conditions materially improved. The evidence now shows that applicant will have earned in 1920 a net for return and depreciation of approximately $1,111,000 in excess of that allowed in the emergency decision. Representatives of applicant's consumers urged in the hearings that this money be refunded, or that the consumers be given the full benefit thereof.

Presiding Commissioner Edgerton, in Decision No. 7424, *supra*, stated as follows:

> If applicant in a year when its operating expenses, due to water shortage alone, have been temporarily increased $2,500,000 above the average, is given a return sufficient to pay its fixed charges, including interest and amortization, and reasonable dividends, it is receiving all that its consumers should be required to pay and all it is justly entitled to receive. The return in normal years of rainfall will make up any deficit below a fair return.

He further stated:

> Of course, it is not to be understood that the Railroad Commission urges the payment of unreasonable rates to stimulate investment in this public utility, but when it is considered that to place this company in a position where it can successfully finance will not result at this time in even an 8 per cent return on investment, it will at once be realized that the burden upon the consumer is not unreasonable.

Had conditions continued as estimated, the net return would have been approximately 7.2 per cent.

It now appears that applicant's gross revenue did not equal that estimated in the decision by approximately $700,000. However, the net was increased approximately $1,111,000 over that estimated. Applicant deferred a considerable amount of maintenance that had been estimated in order to have funds for construction and also curtailed operating expenses. The deferred maintenance was estimated by Mr. Barre, executive engineer for applicant, at $329,000. The remaining difference is due primarily to a greater supply of water power than was expected. The deferring of maintenance is only borrowing from the future, and this reduced expense is not a permanent saving. Consumers must be protected, however, from having the additional maintenance in the future charged against them, and to this end we will insist that applicant add to its contingency fund the amount of the deferred maintenance, so that hereafter when the outlay to meet this maintenance occurs the additional expense may not be charged to consumers.

Applicant during the years 1918 and 1919 failed to set aside sufficient amount of its reserve for accrued depreciation. In fixing the emergency rates, no allowance was made for the interest upon the depreciation reserve, although depreciation annuity was fixed upon the sinking fund basis. Applicant is entitled to earn and set aside this interest. It is

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our opinion that had the conditions been estimated as they later proved to be, at least a part of the interest would have been allowed. Applicant's earnings during 1918–1919 fell considerably below what the Commission has from time to time found reasonable, and if the rates are from now on to be determined upon average conditions, it is our conclusion that a part of the earnings in 1920 should be set aside by applicant to build up its depreciation reserve. Applicant proposes in this instance to set aside a total for the year 1920 of $2,000,000. From the evidence it would appear that this is approximately $900,000 more than the annuity computed in the previous decision, and $550,000 in excess of the annuity and interest for that year. It is our conclusion that the net earnings on the Edison system for 1920, exclusive of the former Mount Whitney Power and Electric Company, in excess of that allowed in Decision No. 7424 should be disposed of as follows:

1. The sum of $550,000 transferred to the contingency fund.
2. The balance up to $650,000 to be transferred to the reserve for accrued depreciation.
3. Any net income over and above $1,200,000 to be added to the contingency fund.

Applicant submits proposed schedules of rates for the entire territory designed to return to the company the gross revenue it requests. The proposal contemplates uniform schedules throughout. The schedules, which appear in general to be slight modifications of former Edison rates, result in a reduction of 6 per cent to 10 per cent in all general lighting and commercial power service below the present rates, including the 27 per cent surcharge on the Edison system south of the Tehachapi Mountains, and an increase on the former Mount Whitney system, averaging approximately 17 per cent, but as high as 40 or 50 per cent in individual instances. It is suggested that the rate for service to the city of Los Angeles be materially increased; the rate for cement plants be maintained at practically the present level; the rates for service to the Los Angeles Railway and Pacific Electric Railway Company be reduced by approximately 4 per cent, and that special and street lighting rates be reduced between 5 and 10 per cent.

The determination of rate schedules is of special importance to the various classes of consumers and to individuals. Consideration must be given to the cost of service, as far as it can be determined, to the value of the service and the conditions of delivery. The types of rates and any special conditions heretofore existing must also be considered as the size and general character of the consumer's installation depend to a certain extent upon the type of schedule in effect.

The rates in the former Mount Whitney territory were the subject of extended hearings. Evidence introduced by agricultural consumers is to the general effect that the proposed rates exceed the value of service and would result in undue hardship to consumers and in

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unreasonable return to the company. It was shown by applicant that during the year 1920, at the existing rates, the return on investment in the Mount Whitney territory was approximately 7.57 per cent. This was based upon charges to Mount Whitney district, which differ only slightly from those that the evidence indicates will be reasonable for the year 1921. The Mount Whitney district should earn its portion of the total cost, but rates should not be increased as proposed.

Careful analysis has been made of the evidence herein, and special attention given to the service to large irrigation districts, Visalia Electric Railroad Company, as well as to the general service, from which we find that changes should be made in the present schedules resulting in certain increases in lighting and industrial power rates and changes in wholesale service. The agricultural schedules are modified, two schedules being put in effect, one for short seasonal use and one for high load factor conditions, which will result in a reduction of rates to the long-period user. The requirement of a minimum charge will be made, the omission of this requirement during 1920 having been due to special emergency conditions.

Careful analysis has also been made of applicant's rates and charges on its system, exclusive of the former Mount Whitney system, and such changes and reductions as are found reasonable have been made in the rates as proposed for general lighting and power service. A number of special or class rate schedules have been eliminated and certain standard schedules made effective, with the result that all consumers will be placed on the same basis. Certain schedules were suggested for street-lighting service, which were later withdrawn by applicant. The evidence relative to this class of service does not cover sufficiently the special conditions to justify a complete revision at this time. We find it reasonable to continue the present basic rates increased by 10 per cent in place of the present 20 per cent surcharge, until further order by the Commission. It is, however, understood that applicant must present for approval of this Commission a definite schedule of rates for street lighting service on or before June 30, 1921.

Attention was directed by certain cement companies to the schedule proposed for their service. A special rate has heretofore been applied to this service and has been limited to cement plants of large installation. It does not appear that a special rate is necessary for this service, and the industrial and wholesale power schedule herein set forth is found applicable to the service to cement companies as well as other large industries.

Applicant suggests that power and resale contract rates to municipalities be continued, subject to a partial reduction of the surcharge, making the minimum rate, however, one cent per kilowatt hour. A

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study of applicant's rates for resale power to municipalities and other utilities discloses a marked lack of uniformity in charges, certain cities receiving preferential rates as compared with others. The city of Riverside, partly through a long-term contract and partly through special rate, receives a lower rate than other cities, for instance, from 20 to 30 per cent below that of the city of Azusa. We find that the practice of granting preference to resale companies or cities is not justified and only results in discrimination against the general public outside of the municipalities favored. A standard schedule which is designed to apply to large resale and wholesale service of power has been fixed herein.

It is urged that a lower rate be fixed for service to the Los Angeles Railway Company and Pacific Electric Railway Company than to other consumers for the reason: That the railroad load enabled Edison company to build certain of its plants more cheaply and lower rates resulted to other consumers; that the percentage of increase in rates to the railways during past years has been greater than the average; that the railway load is larger, more permanent and of a higher load factor than the average, and that the service required and rendered is not as exacting.

Benefit has obtained to other consumers through the fact that certain power plants were constructed more cheaply and combined operation costs are less. The result of such saving is, however, mutual. The railway companies' load could not have been served at the rates in effect in the past, and especially not at present, were it not for the large diversity of business served by Edison company. Analysis shows that the railway companies' rates were not increased more than they should have been by the surcharges heretofore authorized. The quantity and quality of service rendered is of special importance and must be given full weight. We are not impressed with the prominence given the claim of unusual permanency. In considering permanency, the railway load must be compared more with the diversified load of applicant than with individual consumers. It appears that Edison company reduces the delivery to railway companies in case of serious shortage of power, and as a result it does not render the quality of service to the railways that is rendered to municipalities for distribution or to the regular lighting or small-power consumers. Railway companies' load factor and power factor are in general better than the average of other classes of service, and due consideration of this fact has been given in determining the rates for railway service, as well as to delivery points and voltage regulation. The point of delivery of power to the railways has been agreed to between the parties and the rate will be based on these deliveries. It is not essential that a sched-

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ule be made which will vary with the load factor of the railway service, as it is practically permanent and beyond the control of either party. Based on the revised estimate of costs of applicant's service, a rate for service to Pacific Electric Railway Company and Los Angeles Railway Company of 9 mills per kilowatt hour is found to be reasonable.

It is important that special consideration be given to the rate to be charged for electric service to the city of Los Angeles. An operating agreement was entered into in 1917 and modified in 1919, whereby the city leased from the Edison company the distribution system within the city of Los Angeles. Under the lease the property is operated by Edison company until final purchase and transfer of the property occurs. The lease provides for the deduction by Edison company from the gross revenue received of all operating expenses incurred, including depreciation on the leased system, and a definite rental for the property on the basis of certain fixed charges per month, plus interest on additions and betterments. Under the agreement all power on the leased system not supplied by the city of Los Angeles from its own plants is to be supplied by applicant, the rate now in effect being 1 cent per kilowatt hour plus the authorized surcharge. Southern California Edison Company proposes a rate for this service substantially as follows:

First 30,000,000 kilowatt hours per year	1.75 cents	per kilowatt hour
Next 30,000,000 kilowatt hours per year	1.5 cent	per kilowatt hour
Over 60,000,000 kilowatt hours per year	1 cent	per kilowatt hour

In justification of this rate, applicant points out that it is required under the lease agreement to render standby service and provide for the growth of the load on the city's system, including the leased plant, while the city is building its own plants. It urges that the city should pay, in addition to the cost of energy delivered, approximately $375,000 per year to cover the fixed charges on an estimated steam standby which it is assumed Edison company will have to maintain to guarantee service.

Evidence was submitted by representatives of the city of Los Angeles and a brief was filed, setting forth the viewpoint of the city regarding the rate to be charged. It was urged by the city that the rate for power delivered to the leased system by the Edison company is only one of several sources of return to the company under the operating agreement, and that there should be included the other sources, such as return on the property in the city and depreciation allowance in addition to the revenue for energy delivered to the leased system.

The operating agreement covers the temporary lease and ultimate sale of the property. It is our conclusion, from analysis of this agreement, that the compensation paid for the use of the investment as

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specified in the operating agreement is a separate consideration from the rate for power. The rate to be fixed herein is the rate to be paid by the city for power delivered to the leased distribution system within the city. The Commission has before it the fixing of rates for service from the Southern California Edison Company's system to its consumers, and the system within the city must be classified as a consumer of Edison company rather than a part of Edison system.

The city of Los Angeles urges that, owing to the operation of its own hydro plants, benefits result to the Edison system through concentration of the city output at the time of peak load of the Edison company; that the operation of the city's plants constitutes a standby to Edison service; that additional power will be delivered to the Edison system upon the completion of the proposed plants of the city, and that through the workings of the agreement a large amount of cheap power is made available by the city plants to Edison company consumers. The city urges that a rate of one cent per kilowatt hour is excessive and submits computations setting forth that a rate of .87 cents per kilowatt hour for the service rendered the city would give applicant the average return estimated and that this rate is subject to reduction on account of the valuable diversity existing.

Any benefit which results from operation of the city's plants is reflected in cost of service to the consumers on the leased system and does not appear to benefit the consumers of Edison system outside of the city. It appears that even with the completion of additional plants there will be practically no power available in excess of the requirements on the leased system. As the Edison Company derives no benefit from the operating agreement in the form of reduced costs of power delivered outside the city of Los Angeles or in the cost of service actually rendered to the leased system, it must be concluded that the city of Los Angeles is not entitled to any lower rate for the service as rendered than any other distributing company or municipality which is purchasing power in like quantities and under similar conditions. With the completion of the city's plants there will be a short period when practically no energy will be required from the Edison system, and such service as is rendered will be largely in the form of standby or breakdown service.

Edison company, as we understand the agreement, must continue to develop such power as is necessary to meet any demands within the city which the city is not itself in a position to serve, and it is, therefore, rendering a special service not dependent on the kilowatt hour purchase. In connection with the rendering of standby service there are certain fixed charges and costs which are chargeable to the service to the city of Los Angeles, and it is not fair that they be borne by

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consumers of Edison company located without the city limits. If a rate schedule fairly segregates the charges incurred in being ready to serve from those which are largely proportionate to the energy output, it will be applicable to service not only to the city of Los Angeles, but to other retail companies or municipalities, and each will be correctly charged.

We are of the opinion that the Edison company has overestimated and the city underestimated the cost chargeable to the city of Los Angeles. After careful analysis of the evidence herein and the points urged by both parties, we find that a demand-and-energy form of schedule should be applied and that the schedule set forth herein for resale service is fair and reasonable for this service. This does not prevent Southern California Edison Company and the city of Los Angeles or other resale companies or municipalities from entering into contracts, subject to approval of this Commission, containing modified schedules.

ORDER.

Southern California Edison Company, having applied to the Commission for an order establishing just and reasonable rates to be charged for electric service, hearings having been held, the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates and charges set forth herein are just and reasonable rates to be charged and collected by Southern California Edison Company for electric service.

Basing its order on the foregoing finding of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Southern California Edison Company be, and it is, hereby authorized to charge and collect for metered electric service rendered based on all regular meter readings taken on and after the twentieth day of April, 1921, and for flat rate electric service rendered on and after the twentieth day of April, 1921, in accordance with the schedules set forth in Exhibit "A" attached hereto.

It is hereby further ordered, that Southern California Edison Company be, and it is, hereby authorized to charge and collect for metered electric service rendered, based on all regular meter readings taken on and after the first day of April, 1921, and for flat rate electric service rendered on and after the first day of April, 1921, in accordance with the schedules set forth in Exhibit "B" attached hereto.

It is hereby further ordered, that Southern California Edison Com-

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pany shall file with the Commission on or before April 1, 1921, the schedules of electric rates herein set forth.

It is hereby further ordered, that—

1. Southern California Edison Company shall continue in effect the special rates and charges for municipal street and outdoor lighting service as now in effect in its Southern California district, exclusive of the present 20 per cent surcharge plus 10 per cent surcharge, such rates and charges to continue in effect from and after April 1, 1921, until Southern California Edison Company shall have filed and had approved by supplemental order revised schedules of rates for street lighting service.

2. Southern California Edison Company shall continue in effect the present rates and charges for street lighting service on its San Joaquin division.

3. Southern California Edison Company shall submit to this Commission on or before June 30, 1921, for its consideration and approval revised schedules for street-lighting service in its Southern California district.

Provided, that Southern California Edison Company will file with the Railroad Commission on or before May 1, 1921, a stipulation duly executed by its board of directors, in which it agrees to add annually, until otherwise authorized by the Commission, to its reserve for accrued depreciation, the proper annuity as in the preceding opinion indicated, and an amount equivalent to interest at the rate of 6 per cent per annum on $8,250,000—the amount which it is estimated should be in the reserve on January 1, 1921, plus interest at the rate of 6 per cent per annum on the net additions to the reserve for accrued depreciation from and after January 1, 1921; and

Provided, further, that Southern California Edison Company will file with the Railroad Commission on or before May 1, 1921, a stipulation duly executed by its board of directors, in which it agrees to establish and create from its net earnings a contingency reserve fund, and that it will add to and withdraw from said contingency reserve fund such amounts as may be directed from time to time by the Railroad Commission; and, further, that it will effect the disposition of the excess earnings from its 1920 operations, as set forth in the opinion which precedes this order.

Dated at San Francisco, California, this thirty-first day of March, 1921.

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EXHIBIT "A".

Rates of Southern California Edison Company effective for metered service based upon all regular meter readings taken on and after April 20, 1921.

SCHEDULE L-1.

General Lighting Service.

Applicable to general domestic and commercial lighting service, including lamp-socket appliances and single phase motors of not to exceed 3 horsepower total capacity.

Territory.

Southern California district.

Rate.

First	50 kilowatt hours per meter per month	9 cents per kilowatt hour
Next	200 kilowatt hours per meter per month	8 cents per kilowatt hour
Next	750 kilowatt hours per meter per month	7 cents per kilowatt hour
Next	1000 kilowatt hours per meter per month	6 cents per kilowatt hour
Next	3000 kilowatt hours per meter per month	5 cents per kilowatt hour
All over	5000 kilowatt hours per meter per month	4.5 cents per kilowatt hour

Minimum Charge.

Inside incorporated municipalities	$1.00 per meter per month.
Outside incorporated municipalities	1.25 per meter per month.

Special Conditions.

When separate transformers are required to be installed on lines in excess of 5000 volts in territory outside of incorporated municipalities, the minimum charge per meter will be as follows:

1 consumer per transformer	$2 50 per month
2 consumers or more per transformer	1 25 per month

SCHEDULE L-2.

Oil Well Lighting Service.

Applicable to general lighting service used in connection with drilling and pumping oil wells and operating oil well properties.

Territory.

Southern California and San Joaquin districts.

Rate.

6 cents per kilowatt hour.

Minimum Charge.

$25 per meter per month.

Special Conditions.

Electric energy to be delivered at a central point and the consumer shall install and maintain the distribution system for lighting purposes.

SCHEDULE L-3.

Service For Type "C" Mazda Lamps.

Applicable to service for type "C" Mazda lamps for outside lighting purposes only and burning until 10 p.m. every night.

Territory.

Southern California district.

Rate.

Size of lamp	Rate per lamp per month
300 watt	$3 50
400 watt	4 25
500 watt	5 00

Special Conditions.

Under this schedule the company will install, maintain and make necessary lamp renewals, and at the company's entire expense.

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SCHEDULE C-1.

General Heating and Cooking and Combination Service.

Applicable to general domestic and commercial heating, cooking and/or water heating service, and to combination lighting with heating, cooking and/or water heating service.

Territory.

Southern California district.

Rate.

(*a*) Heating, cooking and/or water heating service.

First 150 kilowatt hours per meter per month__ 4 cents per kilowatt hour
All over 150 kilowatt hours per meter per month__ 3 cents per kilowatt hour

(*b*) Combination lighting with heating, cooking and/or water heating service. (Applicable to residences, flats or apartments of eight rooms or less.)

First 30 kilowatt hours per meter per month__ 9 cents per kilowatt hour
Next 120 kilowatt hours per meter per month__ 4 cents per kilowatt hour
All over 150 kilowatt hours per meter per month__ 3 cents per kilowatt hour

Minimum Charge.

First 5 kilowatts of active connected load, $3 per month.
All over 5 kilowatts of active connected load, 50 cents per kilowatt per month.

Special Conditions.

(*a*) This schedule applies only where consumers have installed and use cooking, heating or water heating appliances other than lampsocket devices of at least 2 kilowatts capacity.

(*b*) Bathrooms, halls and cellars are not classified as rooms.

(*c*) Active connected cooking, heating or water heating load shall be taken as the maximum load as given by the name-plate rating which may be connected at any time, computed to the nearest one-tenth of a kilowatt. Where the connected load is so arranged that all of it can not be connected at any one time, only the maximum load that can be connected will be used as a basis for determining the active load. All equipment will be assumed as operating at 100 per cent power factor.

(*d*) Combination service is not rendered for residences, flats or apartments of over eight rooms.

(*e*) Small power service (3 horsepower or less) may be combined under this schedule, in which case each horsepower of connected load shall be considered equivalent to 1 kilowatt of connected load in determining the minimum charge.

SCHEDULE P-1.

General Power Service.

Applicable to industrial power service supplied at 440 volts or less.

Territory.

Southern California district.

Rate.

Consumption per horsepower per month	Rate per kilowatt hour for connected loads of—						
	2 h.p. to 4 h.p.	5 h.p. to 9 h.p.	10 h.p. to 24 h.p.	25 h.p. to 49 h.p.	50 h.p. to 99 h.p.	100 h.p. to 499 h.p.	500 and over
First 50 kilowatt hours	5.5¢	4.5¢	4.0¢	3.5¢	3.0¢	2.7¢	2.5¢
Next 50 kilowatt hours	3.0¢	2.8¢	2.6¢	2.4¢	2.2¢	2.1¢	2.0¢
All over 100 kilowatt hours	1.6¢	1.4¢	1.3¢	1.2¢	1.1¢	1.0¢	1.0¢

Minimum Charge.

First 10 horsepower of connected load_____ $1 25 per horsepower per month
All over 10 horsepower of connected load_____ 1 00 per horsepower per month
But in no case shall the total minimum charge be less than $2.50 per month.

Special Conditions.

(*a*) This schedule applies to service rendered at 110, 220 or 440 volts, at option of consumer, and all necessary transformers to obtain such voltage to be supplied, owned and maintained by the Company.

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(*b*) The above rates and minimum charges may be based on horsepower of measured maximum demand instead of horsepower of connected load, providing the installation consists of at least two motors and has a total active connected capacity of at least 50 horsepower, in which case the horsepower of demand on which the rates and minimum charge will be based will not be less than 50 per cent of the connected load and in no case shall the minimum be less than $52.50 per month.

(*c*) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be supplied, owned and maintained by the company and at the company's expense upon the consumer's premises, adjacent to watt-hour meter or meters, in the fifteen-minute interval in which the consumption of electric energy is greater than in any other fifteen-minute interval in the month, or, at the option of the company, the maximum demand may be determined by test. In the case of hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent, or subject to violent fluctuations, the company may base the consumer's maximum demand upon a three-minute interval instead of a fifteen-minute interval.

(*d*) Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum charge applicable to the larger installation.

SCHEDULE P-2.

General Power Service.

Applicable to industrial power service supplied at 2200 volts or over. This schedule is optional to Schedule P-3.

Territory.

Southern California district.

Rate.

Consumption per horsepower per month	Rate per kilowatt hour for connected loads of—		
	100 h.p. to 499 h.p.	500 h.p. to 999 h.p.	1,000 and over
First 50 kilowatt hours	2.5¢	2.3¢	2.1¢
Next 50 kilowatt hours	.95¢	.9¢	.9¢
All over 100 kilowatt hours	1.9¢	1.8¢	1.6¢

Minimum Charge.

$1 per horsepower of connected load per month but not less than $100 per month.

Special Conditions.

(*a*) Service under this schedule will be supplied by the Company at a standard voltage of 2200 volts or over.

(*b*) The above rates and minimum charges may be based on horsepower of measured maximum demand instead of horsepower of connected load providing the installation consists of at least two motors and has a total active connected capacity of at least 100 horsepower, in which case the demand on which the rates and minimum charges will be based will not be less than 50 per cent of the total active connected load and in no case less than 100 horsepower.

(*c*) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be supplied, owned and maintained by the company and at the company's expense upon the consumer's premises, adjacent to watt-hour meter, in the fifteen-minute interval in which the consumption of electric energy is greater than in any other fifteen-minute interval in the month, or, at the option of the company, the maximum demand may be determined by test.

(*d*) Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum charges applicable to the larger installation.

SCHEDULE P-3.

Wholesale Power Service.

Applicable to industrial and resale service delivered at standard voltage of 2200 volts or more. (This schedule is optional to Schedule P-2.)

Territory.

Southern California district.

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Rate.

Readiness-to-serve charge.

First 200 kilowatt of maximum demand, $1.50 per kilowatt per month but not less than $300 per month.

Next 300 kilowatt of maximum demand_____$1.25 per kilowatt per month

Over 500 kilowatt of maximum demand_____ 1.00 per kilowatt per month

Plus energy charge.

First 200,000 kilowatt hours per month_____9 mills per kilowatt hours

Next 300,000 kilowatt hours per month_____8 mills per kilowatt hours

Over 500,000 kilowatt hours per month_____7.5 mills per kilowatt hours

Special Conditions.

(*a*) Service under this schedule will be supplied by the Company at standard distribution or transmission voltage of 2200 volts or more dependent on distribution or transmission voltage obtainable.

(*b*) The maximum demand in any month will be the average kilowatt delivery in the thirty-minute interval in which the consumption of electric energy is greater than in any other thirty-minute interval in the month. The maximum demand on which the readiness-to-serve charge will be based will not be less than 75 per cent of the maximum demand occurring during the eleven months preceding.

In determining the above, demands occurring between the hours of 11 p.m. to 6 a.m. of the following day will not be considered.

(*c*) In case of seasonal service the consumer may at his option have readiness-to-serve charge based on the average of the three monthly highest demands created during the twelve months period, in which case the total seasonal readiness-to-serve charge will be ten times the monthly charge above listed.

SCHEDULE P–6.

Agricultural Power Service.

Applicable to general agricultural power service. This schedule is optional with Schedule P–7.

Territory.

Southern California district.

Rate. (*a*)

Capacity of connected load in horsepower	Monthly consumption	Rate per kilowatt hour	Annual minimum charge
Less than 5 horsepower	Entire	4.0¢	First 5 h.p., $9 per h.p. per year.
5 to 14 horsepower_____	Entire	3.5¢	All over 5 h.p., $7.50 per h.p. per year.
15 horsepower and over	Entire	3.0¢	But not less than $18 per year.

(*b*)

Consumption per horsepower per month	Rate per kilowatt hour for connected loads of—	
	5 h.p. to 14 h.p.	15 h.p. and over
First 150 kilowatt hours_____	2.6¢	2.5¢
All over 150 kilowatt hours_____	1.6¢	1.5¢

Minimum Charge.

$15 per horsepower per year but not less than $75.

Special Conditions.

(*a*) This rate applies to service rendered at 110, 220 or 440 volts at the option of the consumer, and all necessary transformers to obtain such voltage to be installed, owned and maintained by the company.

(*b*) The minimum charge to be paid in equal monthly installments during months of May to October inclusive. Consumers may select, if satisfactory to the company, other months than those stated herein for payment of minimum charge.

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(c) Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum applicable to the larger installation.

SCHEDULE P–7.

Agricultural Power Service.

Applicable to general agricultural power service. This schedule is optional with Schedule P–6.

Territory.

Southern California district.

Rate.

Readiness-to-serve charge:

First 10 horsepower of connected load	$12 00 per horsepower per year
Next 15 horsepower of connected load	9 00 per horsepower per year
Next 25 horsepower of connected load	7 50 per horsepower per year
All over 50 horsepower of connected load	6 00 per horsepower per year

But in no case less than $60 per year.

Energy charge:

First 1,000 kilowatt hours per month	1.5c per kilowatt hour
All over 1,000 kilowatt hours per month	1.3c per kilowatt hour

Special Conditions.

(a) This schedule applies to service rendered at 110, 220 or 440 volts at option of consumer, and all necessary transformers to obtain such voltage to be supplied, owned and maintained by the company.

(b) The readiness-to-serve charge to be paid in equal monthly installments during the months of May to October inclusive. No readiness-to-serve charge to be paid during the remaining months. Consumers may select, if satisfactory to the company, other months than those stated herein for payment of the readiness-to-serve charge.

SCHEDULE P–10.

Summer Resort Service.

Optional schedule applicable to electric service to pleasure piers, amusement enterprises at beach or other resorts.

Territory.

Southern California and San Joaquin Valley districts.

Rate.

First 500 kilowatt hours per meter per month	7.0c per kilowatt hour
Next 500 kilowatt hours per meter per month	6.0c per kilowatt hour
Next 500 kilowatt hours per meter per month	5.0c per kilowatt hour
Next 1500 kolowatt hours per meter per month	4.0c per kilowatt hour
Next 1500 kilowatt hours per meter per month	3.5c per kilowatt hour
All over 4500 kilowatt hours per meter per month	3.0c per kilowatt hour

Minimum Charge.

$1,500 per year payable in twelve equal monthly installments.

Special Conditions.

(a) This schedule will apply to all service desired, including heating, power and lighting service.

SCHEDULE P–11.

Oil Well Power Service.

Optional schedule applicable to power service and combination lighting and power service required in the operation or developing of oil wells or oil properties.

Territory.

Southern California and San Joaquin Valley districts.

Rate.

Readiness-to-serve charge.

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Type of service	Monthly readiness-to-serve charge
(1) Double rated motors	$1.25 per horsepower of average of high and low ratings
(2) Single rated motors	$1.25 per horsepower
(3) Cooking and heating	$1.00 per kilowatt
(4) Lighting	$2.00 per kilowatt

The total readiness-to-serve charge is the sum of the charges under section (1) to (4) inclusive, but in no case shall the total charge be less than $15 per month.

Emergency charge:

1.4 cents per kilowatt hour.

Special Conditions.

Service under this schedule is to be supplied by the company at a standard distribution voltage of 2200 volts or over.

SCHEDULE P–12.

Intermittent Service.

Applicable for industrial power service required intermittently throughout the year. This schedule may be selected instead of Schedules P–1, P–2, or P–4.

Territory.

Southern California and San Joaquin Valley districts.

Rate.

(*a*) Readiness-to-serve charge:

First 10 horsepower of connected load_____$5 00 per horsepower per year
All over 10 horsepower of connected load_____ 3 50 per horsepower per year

(*b*) Energy charge:

The energy charges, without the minimum charges, as set forth under Schedules P–1, P–2, or P–3, depending upon territory in which service is rendered.

Special Conditions.

(*a*) The total charge is the sum of the readiness-to-serve and the energy charges stated above.

(*b*) The readiness-to-serve charge is payable in five equal installments during the first five months after the date service is first rendered. Consumers may select, if satisfactory to the company, other months in which to pay the readiness-to-serve charge.

SCHEDULE P–13.

Railway Service.

Applicable to electric service to Los Angeles Railway Company and Pacific Electric Railway Company. Service to be delivered and measured at 15000 volts as agreed between the company and the railroad companies.

Rate.

0.9 cents per kilowatt hour.

SCHEDULE P–14.

Wireless Telegraph Service.

Applicable to service to wireless telegraph installations.

Territory.

Southern California and San Joaquin Valley districts.

Rate.

Established power rate.

Minimum Charge.

For installations requiring 2 kilowatt transformers or less_____$2 50 per month
For installations requiring in excess of 2 kilowatt and not exceeding 5 kilowatt transformers_____ 3 75 per month

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Special Conditions.

Installation charge for 2 kilowatt transformer or less.....$10 00
Installation charge for transformer in excess of 2 kilowatts and not exceeding 5 kilowatts..... 15 00
For permanent commercial installations, established power schedules may apply.
In the event that service is continued for a period of twelve consecutive months, the installation charge herein provided will be refunded.

EXHIBIT "B."

Rates of Southern California Edison Company effective for metered service based upon all regular meter readings taken on and after April 1, 1921.

SCHEDULE L–4.

General Lighting Service.

Applicable to general domestic and commercial lighting service, including lamp-socket appliances and single phase motors of not to exceed 3 horsepower total capacity. For commercial lighting service this schedule is optional to Schedule L–5.

Territory.

San Joaquin Valley district.

Rate.

First 30 kilowatt hours per meter per month.....9.0¢ per kilowatt hour
Next 170 kilowatt hours per meter per month.....7.0¢ per kilowatt hour
Next 300 kilowatt hours per meter per month.....6.0¢ per kilowatt hour
Next 1,000 kilowatt hours per meter per month.....5.0¢ per kilowatt hour
All over 1,500 kilowatt hours per meter per month.....4.5¢ per kilowatt hour

Minimum Charge.

Inside incorporated municipalities.....$1 00 per meter per month
Outside incorporated municipalities..... 1 25 per meter per month

Special Conditions.

When separate transformers are required to be installed on lines in excess of 5000 volts in territory outside of incorporated municipalities the minimum charge per meter will be as follows:

1 consumer per transformer.....$2 50 per month
2 consumers or more per transformer..... 1 25 per month

SCHEDULE L–5.

Commercial Lighting Service.

Applicable to commercial lighting service. This schedule is optional to Schedule L–4.

Territory.

San Joaquin Valley district.

Rate.

Readiness-to-serve charge.
First 4 kilowatts of monthly maximum demand.....$10 00 per month
All over 4 kilowatts of monthly maximum demand..... 2 00 per kilowatt per month.
Energy charge.
3 cents per kilowatt hour.

Special Conditions.

(*a*) The total monthly charge is the sum of the readiness-to-serve and energy charges.

(*b*) Under this schedule demand and watt-hour meters will be supplied, owned and maintained by the company and at the company's expense.

(*c*) The maximum demand shall be the greatest average kilowatt demand registered during any fifteen-minute interval during the month for which the bill is rendered.

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SCHEDULE C-2.

General Heating, Cooking and Combination Service.

Applicable to general domestic and commercial heating, cooking and/or water heating service, and to combination lighting with heating, cooking and/or water heating service.

Territory.

San Joaquin Valley district.

Rate.

(*a*) Heating, Cooking and/or Water Heating Service:
First 150 kilowatt hours per meter per month_____4¢ per kilowatt hour
All over 150 kilowatt hours per meter per month_____2¢ per kilowatt hour
(*b*) Combination lighting with heating, cooking and/or water heating service:
(Applicable to residence, flats or apartments of eight rooms or less.)
First 30 kilowatt hours per meter per month_____9¢ per kilowatt hour
Next 120 kilowatt hours per meter per month_____4¢ per kilowatt hour
All over 150 kilowatt hours per meter per month_____2¢ per kilowatt hour

Minimum Charge.

First 5 kilowatts of active connected load_ _____$3 00 per month
All over 5 kilowatts of active connected load_____ 50 per kilowatt per month

Special Conditions.

(*a*) This schedule applies only where consumers have installed and use cooking, heating or water heating appliances other than lampsocket devices of at least 2 kilowatts capacity.

(*b*) Bathrooms, halls and cellars are not classified as rooms.

(*c*) Active connected cooking, heating or water heating load shall be taken as the maximum load as given by the name-plate rating which may be connected at any time, computed to the nearest one-tenth of a kilowatt.

Where the connected load is so arranged that all of it cannot be connected at any one time, only the maximum load that can be connected will be used as a basis for determining the active load. All equipment will be assumed as operating at 100 per cent power factor.

(*d*) Combination service is not rendered for residences, flats or apartments of over eight rooms.

(*e*) Small power service (3 horsepower or less) may be combined under this schedule, in which case each horsepower of connected load shall be considered equivalent to 1 kilowatt of connected load in determining the minimum charge.

SCHEDULE P-4.

General Power Service.

Applicable to general industrial power service.

Territory.

San Joaquin Valley district.

Rate.

Consumption per horsepower per month	Rate per kilowatt hour for connected loads of—					
	2 h.p. to 4 h.p.	5 h.p. to 9 h.p.	10 h.p. to 24 h.p.	25 h.p. to 49 h.p.	50 h.p. to 99 h.p.	100 h.p. and over
First 50 kilowatt hours_____	5.5¢	4.5¢	3.7¢	3.5¢	3.0¢	2.8¢
Next 50 kilowatt hours_____	3.0¢	2.3¢	2.2¢	2.1¢	2.0¢	1.9¢
All over 100 kilowatt hours_____	1.5¢	1.4¢	1.3¢	1.2¢	1.1¢	1.0¢

Minimum Charge.

First 10 horsepower of connected load_____$1 25 per horsepower per month
All over 10 horsepower of connected load_____ 1 00 per horsepower per month

Special Conditions.

(*a*) This schedule applies to service rendered at 110, 220 or 440 volts at option of consumer, and all necessary transformers to obtain such voltage to be supplied, owned and maintained by the company.

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(*b*) The above rates and minimum charges may be based on horsepower of measured maximum demand instead of horsepower of connected load providing the installation consists of at least two motors and has a total active connected capacity of at least 50 horsepower, in which case the horsepower of demand on which the rates and minimum charge will be based will not be less than 50 per cent of the connected load and in no case shall the minimum be less than $52.50 per month.

(*c*) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be supplied, owned and maintained by the company and at the company's expense upon the consumer's premises, adjacent to watt-hour meter or meters, in the fifteen-minute interval in which the consumption of electric energy is greater than in any other fifteen-minute interval in the month, or, at the option of the company, the maximum demand may be determined by test. In the case of hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent, or subject to violent fluctuations, the company may base the consumer's maximum demand upon a three-minute interval instead of a fifteen-minute interval.

(*d*) Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum charge applicable to the larger installation.

SCHEDULE P–5.

Wholesale Power Service.

Applicable to industrial and resale service delivered at standard voltage of 2200 volts or more. This schedule is optional to Schedules P–4, P–8 and P–9.

Territory.

San Joaquin Valley district.

Rate.

Readiness-to-serve charge:

First 200 kilowatts of maximum demand, but not less than $250 per month	$1 25	per kilowatt per month
Next 300 kilowatts of maximum demand	1 00	per kilowatt per month
Over 500 kilowatts of maximum demand	90	per kilowatt per month

Plus energy charge:

First 100,000 kilowatt hours per month	8	mills per kilowatt hour
Over 100,000 kilowatt hours per month	7.5	mills per kilowatt hour

Special Conditions.

(*a*) Service under this schedule will be supplied by the company at standard distribution or transmission voltage of 2200 volts or more dependent on distribution or transmission voltage obtainable.

(*b*) The maximum demand in any month will be the average kilowatt delivery in the thirty-minute interval in which the consumption of electric energy is greater than in any other thirty-minute interval in the month. The maximum demand on which the readiness-to-serve charge will be based will not be less than 75 per cent of the maximum demand occurring during the eleven months preceding.

In determining the above, demands occurring between the hours of 11 p.m. to 6 a.m. of the following day will not be considered.

(*c*) In case of seasonal service the consumer may at his option have readiness-to-serve charge based on the average of the three monthly highest demands created during the twelve-months period, in which case the total seasonal readiness-to-serve charge will be ten times the monthly charge above listed.

SCHEDULE P–8.

Agricultural Power Service.

Applicable to general agricultural power service.

Territory.

San Joaquin Valley.

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Rate.

Annual consumption per horsepower	Rate per kilowatt hour for connected loads of—				
	1 h.p. to 4 h.p.	5 h.p. to 14 h.p.	15 h.p. to 49 h.p.	50 h.p. to 99 h.p.	100 h.p. and over
First 1,000 kilowatt hours per h.p.	2.7¢	2.5¢	2.3¢	2.2¢	2.1¢
All over 1,000 kilowatt hours per h.p.	*	*	*	*	*

*9 mills per kilowatt hour.

Minimum Charge.

First 10 horsepower, $18.00 per horsepower per annum but not less than $30.00
All over 10 horsepower, $15.00 per horsepower per annum.

Special Conditions.

(*a*) This rate applies to service rendered at 110, 220 or 440 volts at the option of the consumer, and all necessary transformers to obtain such voltage to be installed, owned and maintained by the company.

(*b*) The annual period upon which this rate is based shall begin on April 1st of any year and end on March 31st of the succeeding year.

(*c*) In the case of a new consumer whose service under this rate begins at a later date than April 1st of any year, then for the remainder of the first year of service the blocks of this rate will be reduced in proportion to the whole number of months between the date of beginning of service and the following April 1st. A similar proportional reduction will be made in the minimum charge.

(*d*) Consumers may elect to pay the following respective amounts in six equal monthly installments during the months of May to October inclusive plus 9 mills per kilowatt hour instead of the rates above set forth for the first 1000 kilowatt hours per horsepower per year:

1 to 4 horsepower	$18 00 per horsepower
5 to 14 horsepower	16 00 per horsepower
15 to 49 horsepower	14 00 per horsepower
50 to 99 horsepower	13 00 per horsepower
100 and over	12 00 per horsepower

(*e*) The minimum charge is payable in six monthly installments during the months of May to October inclusive.

(*f*) Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum applicable to the larger installation.

DECISION NO. 8818.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING IT TO ISSUE AND PLEDGE BONDS.

Supplement to Application No. 6572.

Decided April 1, 1921.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, San Joaquin Light and Power Corporation in its original petition in Application No. 6572 asked permission to issue and deposit with the trustee under its proposed unifying and refunding mortgage $5,000,000 of first and refunding mortgage bonds; and

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Whereas, the Commission by Decision No. 8716, dated March 9, 1921, authorized the use of $2,375,000 of said first and refunding mortgage bonds for the purpose indicated and declared that the issue of the remaining $2,625,000 of bonds might be authorized after applicant had made a satisfactory showing justifying the issue of said bonds; and

Whereas, the Commission in Decision No. 8771, dated March 19, 1921, authorized applicant to use the $2,375,000 of bonds as collateral to secure the payment of a loan or loans from the Equitable Trust Company of New York, subject to the conditions mentioned in the order in Decision No. 8771, dated March 19, 1921; and

Whereas, applicant on March 30, 1921, asked permission to issue and deposit with the Equitable Trust Company of New York additional first and refunding mortgage bonds in the amount of $651,000 and has filed with the Commission detailed statements of capital expenditures against which said bonds will be issued:

And the Commission being of the opinion that applicant's request should be granted; now, therefore,

It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to issue $651,000 of its first and refunding mortgage bonds and to deposit said bonds as collateral with the Equitable Trust Company of New York to secure the payment of a loan or loans;

Provided, that applicant is given a loan or loans of at least $750 for every $1,000 bond deposited; and

Provided, further, that upon the payment of the notes or loans secured by the deposit of bonds herein authorized, said bonds be deposited with the trustee under applicant's unifying and refunding mortgage, if the execution of such mortgage is hereafter authorized by the Commission; and

Provided, further, that applicant will use the moneys obtained through the deposit of the bonds to finance in part the expenditures reported in Exhibit "B" filed in this proceeding, provided the expenditures so financed represent fixed capital as defined in the classification of accounts perscribed or adopted by this Commission; and

Provided, further, that the authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act; and

Provided, further, that applicant will file with the Commission reports as required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

It is hereby further ordered, that the order in Decision No. 8716, dated March 9, 1921, as amended, shall remain in full force and effect, except as modified by this second supplemental order.

Dated at San Francisco, California, this first day of April, 1921.

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DECISION No. 8819.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN CALIFORNIA GAS COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE AND SALE OF BONDS.

Application No. 6640.
Decided April 2, 1921.

MORTGAGE—MUST BE APPROVED BEFORE BONDS CAN BE ISSUED.—Applicant authorized to issue and pledge $1,500,000 face value of its first mortgage bonds and to issue and sell $1,500,000 of its first and refunding bonds or interim certificates of a like face value, such bonds to be sold at not less than 92, proceeds to be used to reimburse treasury for capital expenditures heretofore made and for additions and betterments to plant; provided, that none of such bonds shall be issued until the Commission has approved and authorized to be executed a mortgage or trust deed securing the same.

Jared How, for Applicant.
LOVELAND, Commissioner.

OPINION.

Southern California Gas Company asks permission to issue and sell $1,500,000 of its first and refunding mortgage bonds, or interim certificates pending preparation and delivery of such bonds; to use the proceeds from the sale of such bonds to reimburse its treasury and to finance in part the cost of future extensions, additions and betterments; and to issue and deposit $1,500,000 of first mortgage bonds with the trustee under the first and refunding mortgage.

The testimony of Mr. A. C. Balch, applicant's vice president, shows that the company proposes to create a new bonded indebtedness of $25,000,000 to be represented by first and refunding mortgage bonds. In the opinion of Mr. Balch, it has become necessary for Southern California Gas Company to execute a new mortgage rather than to do further financing under its first mortgage, for the reason that the authorized indebtedness under the existing mortgage is limited to $10,000,000 of 6 per cent bonds maturing November 1, 1950. Mr. Balch stated that it has been found difficult, if not impossible, to sell 6 per cent bonds in the present market upon advantageous terms, and furthermore, that $5,434,000, the amount of unissued first mortgage bonds, is insufficient for future needs.

Applicant has filed with the Commission a detailed statement showing expenditures of $1,360,833.49, against which it has issued no bonds. It also filed in this proceeding a detailed statement of estimated expenditures aggregating $857,790.11, which added to the $1,360,833.49 makes a total of $2,218,623.60. The testimony of A. C. Balch shows that if this application is granted, all of the proceeds which applicant will receive from the sale of the $1,500,000 of bonds will be invested in

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property, even though the company asks permission to use part of the proceeds to reimburse its treasury. The entire amount, he states, will be used to pay off indebtedness incurred in connection with the construction of extensions, additions and betterments, or to pay for new construction.

While a copy of applicant's proposed first and refunding mortgage has not been filed, the $1,500,000 of bonds which applicant asks permission to sell, have been purchased by Cyrus Pierce and Company, subject to certain provisions being included in the proposed mortgage. The $1,500,000 of bonds are to mature thirty years after date, bear interest at the rate of 7 per cent per annum and may be called for redemption at 107½ and interest during the first ten years and at 105 and interest thereafter. The proposed mortgage is to secure the payment of first and refunding mortgage bonds in the amount of $25,000,000. The bonds shall bear interest at such rates, mature at such time and be callable at such prices as the board of directors of Southern California Gas Company may determine. The proposed mortgage is to contain a provision permitting the issue of bonds at par for 75 per cent of the cost of new construction, improvements or betterments, provided the net earnings of the company for twelve months out of the preceding fourteen months shall have been not less than an amount sufficient to show at least one and three-quarters times the interest on all bonds then outstanding, and in addition, the interest on the bonds which the trustee under the mortgage is asked to certify. The proposed mortgage shall contain a further provision that the present first mortgage of the Southern California Gas Company shall not be closed but that the bonds uncertified under such mortgage shall be deposited from time to time, when their issue is authorized, with the trustee under the proposed mortgage.

In this proceeding, applicant asks permission to issue and deposit with the trustee under said proposed mortgage $1,500,000 of its first mortgage bonds. The trustee under the first mortgage is authorized to certify bonds in an amount equal to 85 per cent of the cost of new construction if the net earnings for the twelve months period, ending two months prior to the filing of the application for the certification of bonds, have been equal to at least one and a half times the annual interest charges on all bonds outstanding, together with the interest charges on the bonds which the trustee is asked to certify.

The proposed mortgage is also to contain a sinking fund provision which shall be mutually agreed upon by applicant and the purchaser of the bonds referred to in this application. The Commission will not pass upon the provisions of the proposed mortgage until a complete copy of the mortgage has been filed with the Commission.

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Applicant as of December 31, 1920, reports assets and liabilities as follows:

Assets.

Fixed capital		$12,515,824 98
Cash		77,671 97
Special deposits		39,000 00
Notes receivable		14,287 35
Accounts receivable		327,004 29
Interest and dividends receivable		2,430 29
Liberty loan bonds		86,846 00
Materials and supplies		501,984 85
Prepaid expenses		7,912 84
Unamortized discount on stock		150,000 00
Unamortized discount on bonds		472,479 82
Other suspense		16,629 04
Construction work in progress		459,676 71
Oil wells		103,007 27
Midway Gas Company bonds in escrow		136,800 00
Gas plants to be amortized		46,063 14
Total assets		$14,957,618 55

Liabilities.

Capital stock		$6,875,000 00
Common stock	$6,000,000	
Preferred stock	875,000	
Funded debt		4,596,000 00
Notes payable		332,786 80
Accounts payable		1,051,717 77
Interest and taxes accrued		61,082 28
Dividends declared		26,250 00
Reserve for accrued depreciation		1,060,462 93
Casualty and insurance reserves		34,484 01
Other reserves		126,515 26
Corporate surplus unappropriated		793,319 50
Total liabilities		$14,957,618 55

During the past five years, applicant has paid no dividends on its common stock. Applicant's preferred stock carries a cumulative dividend at the rate of 6 per cent per annum. No dividend on this stock was paid during 1916, 1917 and 1918. During 1919, the company paid on its outstanding $875,000 of preferred stock $52,500, and during 1920, $131,250 in dividends.

Applicant's funded debt as of December 31, 1920, consisted of $4,566,000 of 6 per cent first mortgage Southern California Gas Company bonds and $30,000 of 5 per cent first mortgage bonds issued by Riverside Light and Fuel Company, the payment of which bonds has been assumed by applicant.

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For the two years ending December 31, 1920, applicant reports operating revenues, expenses and other deductions from earnings as follows:

Item.	1920	1919
Operating revenue	$3,078,469 39	$2,600,001 42
Operating expenses	2,433,889 92	2,002,970 77
Net operating revenue	$644,579 47	$597,030 65
Non-operating revenue	31,842 27	30,696 08
Gross corporate income	$676,421 74	$627,726 73
Deduct:		
Uncollectible bills	$7,332 06	$11,966 47
Interest on funded debt	274,860 00	247,141 65
Other interest deductions	7,433 67	8,779 11
Amortization of debt discount and expense	15,837 26	14,934 11
Total deductions	$305,462 99	$282,821 34
Surplus for year	$370,958 75	$344,905 39

The record in this proceeding shows that applicant has sold the $1,500,000 of its first and refunding bonds at 92 and accrued interest. Pending the execution and delivery of the bonds, applicant asks permission to issue and sell interim certificates at the same price. All the proceeds obtained from the sale of the interim certificates will be deposited with the Union Bank and Trust Company of Los Angeles, who is to act as trustee under the proposed first and refunding mortgage. None of the moneys obtained from the sale of the interim certificates will become available to applicant until it is in a position to deliver the bonds. In the event that the bonds are not delivered, the moneys paid by the purchasers of interim certificates will be returned to such purchasers.

Inasmuch as applicant has not filed with the Commission a copy of its proposed first and refunding mortgage, the Commission cannot at this time make a final order in this proceeding.

I herewith submit the following form of order:

ORDER.

Southern California Gas Company having applied to the Railroad Commission for permission to issue and pledge $1,500,000 of its first mortgage bonds and to issue and sell $1,500,000 of its first and refunding mortgage 7 per cent thirty-year bonds; to execute a mortgage and to issue and sell interim certificates pending the delivery of the first and refunding mortgage bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified herein and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

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It is hereby ordered, that Southern California Gas Company be, and it is hereby, authorized to issue and deposit with the trustee under its first and refunding mortgage, if the execution of such mortgage is hereafter authorized by the Commission, $1,500,000 of first mortgage 6 per cent bonds due November 1, 1950; to issue $1,500,000 of first and refunding mortgage bonds, and pending the delivery of said first and refunding mortgage bonds, issue and sell $1,500,000 of interim certificates exchangeable for first and refunding mortgage bonds herein authorized to be issued.

The authority herein granted is subject to the following conditions:

1. The $1,500,000 of first and refunding mortgage bonds, or the $1,500,000 of interim certificates which applicant is herein authorized to issue in lieu of first and refunding mortgage bonds, shall be sold by applicant, for cash, at not less than 92 per cent of their face value and accrued interest.

2. The authority herein granted to issue bonds will not become effective until the Commission, by supplemental order, has authorized applicant to execute a mortgage or trust deed securing the payment of the $1,500,000 of first and refunding mortgage bonds.

3. The proceeds obtained from the sale of the interim certificates shall be deposited with the Union Bank and Trust Company of Los Angeles as trustee and shall not be expended in any manner whatsoever except for the purpose of reimbursing the purchasers of interim certificates in the event that first and refunding mortgage bonds are not delivered within the time specified in the interim certificates. The Commission will hereafter, if it authorizes the execution of a first and refunding mortgage securing the payment of the $1,500,000 of bonds, indicate the purposes for which the proceeds from the sale of such bonds may be used.

4. Southern California Gas Company shall keep such record of the issue, deposit and sale of the bonds and of the interim certificates herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

5. The authority herein granted to issue bonds or interim certificates will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted will apply only to such bonds and interim certificates as may be executed, issued and delivered on or before November 15, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of April, 1921.

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DECISION NO. 8820.

IN THE MATTER OF THE INVESTIGATION OF THE ELECTRIC RATES, SERVICE AND OPERATIONS OF SAN JOAQUIN LIGHT AND POWER CORPORATION, ON THE COMMISSION'S OWN MOTION.

Case No. 1544.
Decided April 7, 1921.

ELECTRIC RATES—AGRICULTURAL SERVICE.—The Commission cannot give consideration to a utility's contention that a reduction in its gross revenues will so effect its finanical credit that it will be compelled to discontinue its construction program when the evidence does not bear out such a contention and the economic needs of the territory served by the utility are such that a lower rate for agricultural service is found reasonable and necessary.

STIPULATIONS—EXCESS PROFITS—FUTURE CONSIDERATION OF.—The Commission holds that it is not necessary that a stipulation be entered into by the utility to the extent that any excess earnings which might occur will be considered in the final proceeding, as this is a matter for the Commission to take such action as the evidence shall justify. Revised schedule of rates for agricultural power service established to become effective for all service rendered on and after April 1, 1921.

Edwin O. Edgerton, Jared Howe and *Murray Bourne*, for San Joaquin Light and Power Corporation.

Frank S. Brittain, for California Farm Bureau Federation.

Edson Abel, for Kern County Farm Bureau.

Irving H. Althouse, for Alpaugh Irrigation District.

Wesly P. Grijalva, City Attorney, and *J. A. Hinman*, Mayor, for City of Bakersfield.

ROWELL AND MARTIN, *Commissioners*.

OPINION.

This is a proceeding instituted on the Commission's own motion to investigate the rates and operations of the San Joaquin Light and Power Corporation with a view to fixing reasonable rates for electric service to be charged by that utility to its consumers.

Increased costs of operation beginning in 1918 required that the rates of this company be increased. The San Joaquin Light and Power Corporation was authorized to increase its rates in 1918 and 1919 a total of 15 per cent. By this Commission's Decision No. 7305, in Application No. 4064, dated March 23, 1920 (Opinions and Orders of the Railroad Commission of California, volume 17, page 940), further increase in rates was granted and the rates for agricultural service were materially modified to meet emergency conditions existing. It was stated in the decision that "The rates herein fixed will be temporary rates effective for the year 1920 and subject to revision upon a basis of normal operations as soon as the present period of reduced supply of hydroelectric power ceases." With the return of practically normal water conditions, the Commission instituted this proceeding to effect the promised revision.

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The San Joaquin Light and Power Corporation has, since the institution of this proceeding, filed an application (Application No. 6651), requesting a new finding of the value of its property and the fixing of definite rates. While it has not been possible at this time to make the complete investigation necessary to a final determination of all rates, it is important that the agricultural power rates now in effect be modified to suit more normal conditions. The irrigation season in the San Joaquin Valley in general commences about April 1 and it is important that any revision of schedules be made at once in order that the consumers will know what their basis of charge will be.

Preliminary hearings were held in this proceeding at Bakersfield on March 23, and Fresno on March 24, 1921, at which testimony and evidence were introduced relative to the investment, earnings and expenses of the company, with special reference to the determination of agricultural rates.

San Joaquin Light and Power Corporation agrees that the agricultural rates now in effect should be modified, but desires that its total revenue be not reduced. Representatives of the consumers urge the absolute necessity of a material reduction of rates, especially to the consumers who operate steadily the larger part of the year.

The evidence introduced by the Commission's engineers tends to show that the company during 1920 earned in excess of an 8 per cent return on the rate base heretofore found reasonable, and that, consideration being given to all matters pertaining to the operation of the company, the earnings under present operating conditions and an average production of hydroelectric energy will be in excess of 9 per cent.

In the light of the evidence presented, certain changes must be made in the estimates submitted by the Commission's engineers, but it is apparent that the earnings of the company, based on average water conditions and present cost tendencies, will be in excess of the amounts which have been found reasonable in the case of this and other similar utilities.

From the evidence presented it appears that the development of the San Joaquin Valley demands the lowest possible rate for agricultural service, commensurate with fair treatment of the utility. To continue the present rate would apparently discourage new development and seriously affect existing farmers. While from the standpoint of the utility the maintenance of existing revenues might appear beneficial, from a broad view of the economic need of the entire valley we must conclude that a lower rate for agricultural service is reasonable even though the final fixing of rates should require some readjustment.

San Joaquin Light and Power Corporation urges that any material reduction in its earnings, such as 5 per cent or 10 per cent of gross

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revenue, will prevent it from issuing additional bonds and will thus put a stop to construction work. Even were we to consider this an important factor in determining a rate, nevertheless, in view of the record in this case, we are unable to agree with the company that any such reduction in its gross earnings from agricultural service for 1921, as is proposed herein, will produce the dire results that it predicts. There has been introduced in this case a letter dated February 16, 1921, addressed to Cyrus Peirce & Company, Blyth, Witter & Company, and Banks, Hutley & Company, and signed by William E. Kerckhoff, president of San Joaquin Light and Power Corporation, in which this language appears:

"A careful estimate of earnings for the twelve months ending December 31, 1921, as a result of the savings in cost of operation and the connection of new consumers to its lines, indicates net earnings applicable to bond interest of not less than $3,900,000. The total bond interest including this issue ($7,000,000) will not exceed $1,601,260. On this basis the corporation will be earning approximately two and a half times its bond interest. These figures are conservative and we have every reason to believe that they will be exceeded."

The figures submitted by the company's president to the investment bankers were not changed by any evidence introduced by the company in this proceeding, and it may therefore be assumed that the company regards those figures as substantially correct.

Briefs have been filed in this proceeding by Frank S. Brittain for the California Farm Bureau Federation and by Edwin O. Edgerton and Jared How for San Joaquin Light and Power Corporation. It is urged by Mr. Brittain that San Joaquin Light and Power Corporation has failed to show cause why its rates, particularly for agricultural service, should not be reduced; that the Commission in its order establishing a temporary agricultural rate should provide that if it produces an excess return before permanent rates shall be determined an equalization of such excessive return should be made in the more definite rates; that a lower rate should be made than the average now existing and that an alternative schedule should be prescribed; and, further, that the order should be conditional upon satisfactory service, a definite discount being fixed in case poor service is rendered. Attorneys for San Joaquin Light and Power Corporation urged that this company has not been remiss in presenting its case; that it has asked for a definite fixing of rates and that no action should be taken which would result in a lower rate for agricultural service than the average now existing.

We believe that San Joaquin Light and Power Corporation might, in view of the previous decision, have been somewhat better prepared to present evidence in this proceeding. We conclude from the evidence, as heretofore stated, that some reduction in rates for agricultural service should be made at this time in view of the evidence in this proceeding, both as to earnings of this company and the economic

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conditions existing in the San Joaquin Valley. As regards the suggestion that should the company earn in excess of a return later found to be reasonable during the period prior to the final determination of this utility's rates, this excess earning should be considered in connection with the later fixing of rates. If the suggestion made by the attorney for the Farm Bureau is to be followed out, it would also be fair that if the rates herein fixed result in a lower return than hereafter found reasonable, a possibly higher rate should be fixed in the final proceeding. We do not find that it is necessary that a stipulation be entered into by the utility to the extent that any excess earnings which might occur will be considered in the final proceeding, as this is a matter for the Commission to take such action as the evidence shall justify.

Relative to the matter of adequate service, necessarily the rates authorized contemplate reasonable service. Any modification of charges in case of poor service must be subject to special investigation and can not be determined in advance or in a general rule.

During the year 1920 the minimum charge formerly in effect was suspended to avoid difficulties in adjusting bills on account of the anticipated power shortage and to encourage conservation of power. This should not be continued under normal conditions, although the reestablishment of the minimum charge will result in an increase to certain consumers who were benefited by its suspension.

Three schedules of rates were proposed by the Commission's assistant chief engineer, L. S. Ready, which, as to general form, appear to be more or less satisfactory to both the utility and the representatives of the consumers. The schedules were designated as schedules No. 3, No. 4 and No. 6. The general forms of schedules proposed were two readiness-to-serve or demand-and-energy schedules and one block energy schedule with a minimum bill. These schedules were submitted for the consideration of the Commission primarily as to form and not as definite schedules to be fixed.

An analysis of the company's records made by Mr. W. J. Dodge, assistant engineer of the Commission, shows that the combined application of schedules No. 3 and No. 4 to the company's operation of 1920 would result in a reduction of approximately 2 per cent in the gross agricultural power revenue of the company, while the third schedule, No. 6, would give the company the same revenue as the present schedule, although reducing the long period consumers as much as 25 per cent.

A schedule submitted by the Farm Bureau of Kern County was in general similar to No. 6, but would result in an average reduction in rates of 17 per cent.

It was urged by the San Joaquin Light and Power Corporation that if possible there should be only one schedule, as optional schedules

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resulted generally in confusion. San Joaquin Light and Power Corporation has suggested to the Commission a schedule which is in general a combination of the first two schedules submitted by Mr. Ready, which in form has much in its favor. This schedule also gives a greater reduction than Schedule No. 4 for the long period user.

The schedule for agricultural power service herein is a combination of an energy and demand-and-energy rate and does provide for certain options on the part of the consumer. It is apparent from the evidence that possibly certain consumers will not operate their pumping plants to any great extent during the coming year owing to economic conditions, which, even aside from power rates, would make production unprofitable. It would appear under these circumstances that such consumers should be allowed the option of either operating under present commercial schedule No. 8, which requires a monthly minimum, or, should they desire to operate only intermittently during the year, that a schedule be filed by the utility for such intermittent service similar to Schedule No. P-12 made effective for Southern California Edison Company in the Commission's Decision No. 8815 in Application No. 5394. The application of this schedule herein authorized will result in an average reduction of approximately 5 per cent in the revenue from agricultural service. Consumers operating short periods will be increased, while consumers operating from eight to twelve months continuously will be reduced materially.

This proceeding will be continued for further hearing and final submission and decision on the question of complete fixing of rates and service.

We recommend the following form of order:

ORDER.

The Railroad Commission having instituted a proceeding on its own motion for the determination of rates and investigation of service of San Joaquin Light and Power Corporation, preliminary hearings having been held, briefs filed and the matter being submitted and ready for decision in so far as it pertains to the immediate revision of agricultural power rates.

The Railroad Commission hereby finds as a fact that the rates for agricultural power service of San Joaquin Light and Power Corporation now in effect are unjust and unreasonable in so far as they differ from the rates hereinafter set forth, which are found to be just and reasonable for this service rendered on and after April 1, 1921.

It is hereby ordered, that San Joaquin Light and Power Corporation be, and the same is, hereby directed to file and make effective the following schedule for agricultural power service, the same to become effective for all service rendered on and after April 1, 1921:

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SCHEDULE No. 7.

Agricultural Power Service.

Applicable to general agricultural power service.

Territory.

Entire territory served.

Rate.

Annual consumption per horsepower	Rate per kilowatt hour for connected loads of—				
	1 h.p. to 4 h.p.	5 h.p. to 14 h.p.	15 h.p. to 49 h.p.	50 h.p. to 99 h.p.	100 h.p. and over
First 1,000 kilowatt hours per horsepower	2.6¢	2.4¢	2.3¢	2.2¢	2.1¢
Next 1,500 kilowatt hours per horsepower	*	*	*	*	*
Next 2,500 kilowatt hours per horsepower	†	†	†	†	†
Over 5,000 kilowatt hours per horsepower	‡	‡	‡	‡	‡

*9 mills per kilowatt hour.
†7½ mills per kilowatt hour.
‡5 mills per kilowatt hour.

Minimum Charge.

First 10 horsepower, $18.00 per horsepower per annum but not less than $30.00.
All over 10 horsepower, $15.00 per horsepower per annum.

Special Conditions.

(*a*) This rate applies to service rendered at 110, 220 or 440 volts at the option of the consumer, and all necessary transformers to obtain such voltage to be installed, owned and maintained by the company.

(*b*) The annual period upon which this rate is based shall begin on April 1st of any year and end on March 31st of the succeeding year.

(*c*) In the case of a new consumer whose service under this rate begins at a later date than April 1st of any year, then for the remainder of the first year of service the blocks of this rate will be reduced in proportion to the whole number of months between the date of beginning of service and the following April 1st. A similar proportional reduction will be made in the minimum charge.

(*d*) Consumers may elect to pay the following respective amounts in six equal monthly installments during the months of May to October, inclusive, plus 9 mills per kilowatt hour, instead of the rates above set forth for the first 1000 kilowatt hours per horsepower per year:

1 to 4 horsepower	$17 00 per horsepower
5 to 14 horsepower	15 00 per horsepower
15 to 49 horsepower	14 00 per horsepower
50 to 99 horsepower	13 00 per horsepower
100 horsepower and over	12 00 per horsepower

(*e*) The minimum charge is payable in six monthly installments during the months of April to September, inclusive.

(*f*) Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum applicable to the larger installation.

(*g*) The above rates and minimum charges may be based on horsepower of measured maximum demand occurring during the months of May to October, inclusive, instead of horsepower of connected load, providing the installation exceeds 50 horsepower or consists of two or more motors having a total capacity of 25 horsepower.

(*h*) The maximum demand shall be the average horsepower input occurring during the months of May to October, inclusive, (746 watts equivalent) indicated and recorded by instruments to be furnished and installed by the company on the consumer's premises, in the 15-minute interval in which the consumption of electric energy is greater than in any other 15-minute interval during the months of May to October, inclusive; or at the option of the company the maximum demand may be determined by test.

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It is hereby further ordered, that this proceeding be continued for a definite determination of all rates of San Joaquin Light and Power Corporation.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventh day of April, 1921.

DECISION NO. 8834.

IN THE MATTER OF THE APPLICATION OF THE WESTERN PACIFIC RAILROAD COMPANY TO ISSUE BONDS.

Application No. 6668.
Decided April 9, 1921.

Carl Taylor and *L. Hinsdale*, for Applicant.

Morrison, Dunne and Brobeck, and *Max Thelen*, by *H. H. Phleger*, for Mercantile Trust Company.

MARTIN, *Commissioner.*

OPINION.

The Western Pacific Railroad Company, a California corporation, asks permission to issue and sell $4,180,000 of its first mortgage 5 per cent bonds, due March 1, 1946. The company intends to sell these bonds at 85 and accrued interest to the Western Pacific Railroad Corporation, a Delaware corporation.

It appears from the record in this proceeding that the Western Pacific Railroad Corporation has offered to purchase the outstanding stock and bonds of the Sacramento Northern Railroad, a California corporation. The Western Pacific Railroad Corporation has offered to pay $27.50 per share for the first preferred, $15 per share for the second preferred and $6 per share for the common stock of the Sacramento Northern Railroad. It has also offered to exchange for the bonds, of Sacramento Northern Railroad, regardless of the various classes, first mortgage bonds of the Western Pacific Railroad Company on the basis of $80 face value of the Western Pacific Railroad Company bonds for $100 face value of Sacramento Northern Railroad bonds, subject to the conditions of the offer.

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Applicant in Exhibit "5" reports stock of Sacramento Northern Railroad outstanding as follows:

First preferred	$1,808,362 31
Second preferred	793,152 19
Common stock	1,883,382 65
Total	$4,484,897 15

The bonds certified by the Mercantile Trust Company, trustee, under the mortgage of the Sacramento Northern Railroad are reported in applicant's Exhibit No. 4, as follows:

Class "A" bonds	$1,908,839 78
Class "B" bonds	904,313 66
Class "C" bonds	1,205,645 96
Class "D" bonds	1,205,645 96
Total	$5,224,445 36

The testimony shows that approximately 91½ per cent of the stock and 91½ per cent of the bonds have been deposited under the offer made by the Western Pacific Railroad Corporation. In order to secure bonds of the Western Pacific Railroad Company to enable it to carry out its offer, the Western Pacific Railroad Corporation has agreed to purchase at 85 and accrued interest $4,180,000 face value of bonds of the Western Pacific Railroad Company, or such an amount thereof as it will find necessary to own in order to comply with the terms of its offer to the stock and bondholders of the Sacramento Northern Railroad.

Applicant asks permission to deposit the proceeds realized from the sale of the bonds referred to in this application with the trustee under its mortgage and to expend such proceeds in accordance with the terms and provisions of the mortgage. The order herein will permit the sale of the bonds and the deposit of the proceeds with the trustee and will further provide that none of the proceeds shall be expended except for such purposes as the Railroad Commission may hereafter authorize.

Morrison, Dunne & Brobeck and Max Thelen, by H. H. Phleger, appearing for Mercantile Trust Company, urged that the Commission confine its order to the sale of the bonds, the designation of the price at which the bonds may be sold and the use of the proceeds. These are the only matters formally before the Commission and the order of the Commission will be confined thereto.

While the Commission is advised of the offer made by the Western Pacific Railroad Corporation to the stock and bondholders of the Sacramento Northern Railroad and the deposit of over 90 per cent of the outstanding stock and bonds of the Sacramento Northern Railroad under such offer, it may be well to call attention to the fact that the purchase of the stock and bonds of the Sacramento Northern Railroad by the Western Pacific Railroad Corporation may be made without

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permission from this Commission. We, therefore, do not deem it necessary to pass in any manner whatsoever on the advisability of the Western Pacific Railroad Corporation purchasing the stock and bonds of the Sacramento Northern Railroad, or on the price which it is being paid for such stock and bonds.

I herewith submit the following form of order:

ORDER.

The Western Pacific Railroad Company having applied to the Railroad Commission for permission to issue and sell $4,180,000 of its first mortgage 5 per cent bonds, due March 1, 1946, a public hearing having been held by the Railroad Commission, and it being the opinion of the Commission that the money to be procured by such issue is reasonably required for the purpose specified in this order, and that such money should be expended only for such purpose or purposes as are not in whole or in part reasonably chargeable to operating expenses or to income, as may be hereafter permitted by the Railroad Commission;

It is hereby ordered, that the Western Pacific Railroad Company be and it is hereby authorized to issue and sell, for cash, at not less than 85 per cent of their face value and accrued interest, $4,180,000 of its first mortgage 5 per cent bonds, due March 1, 1946, provided:

1. That all the proceeds obtained from the sale of the bonds herein authorized will be deposited with the First Federal Trust Company, corporate trustee under the first mortgage executed by the Western Pacific Railroad Company, and expended only for such purposes as the Railroad Commission may hereafter authorize by supplemental order or orders.

2. That the Western Pacific Railroad Company will keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. That the authority herein granted to issue bonds will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4. That the authority herein granted will apply only to such bonds as may be issued, sold and delivered on or before September 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of April, 1921.

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DECISION NO. 8835.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING APPLICANT TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC ENERGY.

Application No. 5567.
Decided April 9, 1921.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Good cause appearing therefor:

It is hereby ordered, that pending the final submission and decision in the proceeding now before the Commission, entitled "In the Matter of the Application of Pacific Gas and Electric Company, a corporation, for an order of the Railroad Commission of the State of California to fix just and reasonable rates for electric service (continuing original application No. 5567 for final order and decision) "Second Supplemental Application No. 5567," the Pacific Gas and Electric Company be, and it is, authorized to charge and collect, in addition to its published rates and charges for electric service and in lieu of the present surcharge of 15 per cent, a surcharge of 10 per cent on all bills for metered service based on meter readings taken on and after April 10, 1921, and for flat-rate service rendered after April 1, 1921.

It is further ordered, that all sums collected upon said 10 per cent surcharge shall be impounded by said utility subject to the order of this Commission in its final decision in said proceeding, Second Supplemental Application No. 5567.

Dated at San Francisco, California, this ninth day of April, 1921.

DECISION NO. 8836.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING INCREASE IN RATES.

Application No. 5585.
Decided April 9, 1921.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Good cause appearing therefor:

It is hereby ordered, that pending the final submission and decision in the proceeding now before the Commission, entitled "In the Matter of the Application of Great Western Power Company of California for

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an Order Authorizing Increase in Rates," Supplemental Application No. 5585, the Great Western Power Company of California be, and it is, authorized to charge and collect, in addition to its published rates and charges for electric service and in lieu of the present surcharge of 15 per cent, a surcharge of 10 per cent on all bills for metered service based on meter readings taken on and after April 10, 1921, and for flat-rate service rendered after April 1, 1921.

It is hereby further ordered, that all sums collected upon said 10 per cent surcharge shall be impounded by said utility, subject to the order of the Commission, in its final decision in said proceeding, Supplemental Application No. 5585.

Dated at San Francisco, California, this ninth day of April, 1921.

DECISION No. 8837.

IN THE MATTER OF THE APPLICATION OF MONTEREY AND PACIFIC GROVE RAILWAY COMPANY, A CORPORATION, FOR AUTHORIZATION AND PERMISSION TO INCREASE RAILROAD PASSENGER FARE.

Application No. 6266.
Decided April 9, 1921.

Fred A. Treat, for Applicant.
H. G. Jorgensen, for City of Pacific Grove.
Sherman K. Wolfe, for City of Monterey.
Carmel Martin, for Monterey Chamber of Commerce.
James F. Pollard, for Coast Valleys Gas and Electric Company.

MARTIN, *Commissioner.*

OPINION.

The Monterey and Pacific Grove Railway Company asks in this application that the Commission make an order authorizing the increase of its street railway fare from the present five cents per ride to a charge of not more than ten cents.

This company has been before this Commission in Application No. 1687 (Decision No. 2424) for a certificate of public convenience and necessity (Case No. 315, Decision No. 3287), for valuation brought upon the Commission's own initiative; and indirectly in Application No. 1418 (Decision No. 2269) of the Coast Valleys Gas and Electric Company wherein there was a question as to the applicant's liability as guarantor of principal and interest of bonds of the Monterey and Pacific Grove Railway Company.

The applicant shows in its petition that it is an electric railway operating between and within the cities of Monterey and Pacific Grove; that the receipts of the corporation barely meet the operating expenses; that there are no moneys with which to repair roadbed, track and roll-

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ing stock and to make improvements or replacement of equipment, and that the roadbed, ties, tracks, rolling stock, and trolley require immediate improvement.

The applicant stipulates that if such increase be granted, it will use all earnings over and above all operating expenses and overhead for the betterment of its equipment and service and to such manner and extent as this Commission may direct; that the stockholders do not propose to receive any dividends until such time as the service to the public will be such as to satisfy this Commission.

Communications from various organizations protesting against the service of the railway were received and investigated.

The Commission's engineering department made an inspection of the properties of the Monterey and Pacific Grove Railway Company, an investigation of the service and operations of the company, brought the valuation up to date and made estimates of the deferred maintenance and of continued operation on three bases.

A public hearing was held in Monterey January 21, 1921, and the matter is now ready for decision.

Attention is called to application No. 5776 of the Bay Rapid Transit Company for certificate of public convenience and necessity to operate an auto passenger stage line service between Monterey and Pacific Grove, the decision for which is held pending the outcome of the railway application.

The financial, physical, and operating conditions of the applicant appear to be very unsatisfactory. The engineering department's report on the present condition of applicant (Commission's Exhibit No. 1) shows that there is outstanding common stock of a par value of $300,000 and first mortgage bonds of a par value of $270,000. The total investment in road and equipment is shown in the annual report of the company for the year ending December 31, 1920, as $612,833.40. As against these figures our engineers find a reproduction cost of $132,448 and a depricated reproduction cost of $73,214. In the last annual report above referred to, it appears that the ownership of the road changed in May, 1920. Prior to that time this company was controlled through stock ownership by the Coast Valleys Gas and Electric Company. The 1920 annual report of applicant contains the following entry:

> All capital stock of respondent was sold at public auction in New York City in May, 1920. Said stock was bought at said sale by L. T. Fetzer, 27 William street, New York City, who is the present owner of same.

A further entry appears:

> Respondent states that the president, or other chief officer of respondent has no control, or at least has not asserted control over the accounting of respondent and to the best information and belief of the officer verifying this report there is not now

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any active president or other chief officer in control and for the reasons herein stated this report is verified by other than such president or such other chief officer in control.

It appears that the sinking fund payments on the bonds were defaulted every year since 1914, and with reference to the entries in the last annual report dealing with the outstanding mortgage bonds the statement appears that the company "does not admit liability for the bonded indebtedness." Neither does applicant, according to the last annual report, admit liability for loans, notes, and miscellaneous accounts payable to Coast Valleys Gas and Electric Company incurred prior to July 1, 1914.

The Coast Valleys Gas and Electric Company, through its representative, James F. Pollard, stated at the hearing that no corporate connection whatever existed at this time between applicant and the Coast Valleys Gas and Electric Company. Upon our request Mr. Pollard writes that the following is a copy of the entry appearing on Coast Valleys' books in regard to the disposition of the stock and bonds of applicant:

For $184 certificate of deposit in New York Trust Company, dated March 12, 1920, in favor of Coast Valleys Gas and Electric Company, being proceeds from sale at public auction of corporate stock, bonds, and notes of Pacific Grove and Monterey Railway Company.

It would appear, therefore, that the road was sold to New York interests for $184 and that these interests refuse to admit any liability for the outstanding bonds or other indebtedness of the railway.

According to Commission's Exhibit No. 1, however, applicant does not own the land and part of the buildings for car barn, shops, etc., which facilities appear to be still the property of the Coast Valleys Gas and Electric Company.

These facts are stated in order to show applicant's financial position and the apparent lack of responsible management and control. It also appeared at the hearing that tentative negotiations had been carried on between applicant and the communities served by the road looking toward the acquisition of the road by these municipalities. These negotiations, however, appear to have been of a wholly informal kind and there does not seem to be any prospect of any such solution being realized.

It is apparent that there is no prospect whatever of applicant being placed in any kind of satisfactory position without a thoroughgoing financial reorganization. This conclusion was reached by this Commission in 1916 in the decision heretofore referred to, but nothing has been done in the meantime by the company to bring about such reorganization.

At the hearing the legal representative of applicant was asked if, through his or some other authority, the owners of this property would

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make available the necessary sum of money (an amount of only a few hundred dollars) to provide for certain most urgent track work, and the answer was that there was no such authority.

To grant applicant an increase in fares under such conditions would seem unjustifiable from every standpoint. No guarantee whatever exists that an increase in fares would result in temporary better service or in permanent rehabilitation of the property. It is true that the communities served by this road are anxious to retain street railway service, even at an increased fare. They prefer such service, provided it can be made reasonably good and reliable, to motor bus service. The representatives of the communities, however, are equally convinced that nothing is to be gained by raising the rate of fare and having the present unsatisfactory service continue for a short time longer with the eventual inevitable result of abandonment and discontinuance of street railway operations. They believe if that is to be the outcome, arrangements for substitute motor service had better be made at this time.

It has been the Commission's permanent policy that the owner of a utility is responsible for reasonably good service and that from him must come the necessary capital for extension or rehabilitation of plant. After the owner has assumed that obligation, the Commission has granted, in so far as it lay within its power, such reasonable rates as would pay the cost of operation, the maintenance of the plant and a fair return. I see no reason why, in this case, there should be a departure from that policy.

In Commission's exhibit No. 1 it is estimated that approximately $8,000 is required in order to make up the most necessary of deferred maintenance and to provide for the most urgent repairs of the property to permit of a fairly reasonable service. This estimate includes the construction of a new passing track to be located in the middle of the line between Monterey and Pacific Grove, which will enable the maintaining of a fairly uniform schedule on the main line.

In my opinion, the Commission should order applicant to make available in cash this amount of money as a minimum, the cash to be deposited locally, and subject to draft by the local manager to be expended for the most urgent repairs and rehabilitation of the road under the direction of this Commission. I am satisfied that the local manager of the road is competent and anxious to give the best possible service and that the interests of the owners and of the public will not suffer if the necessary authority is placed in his hands.

After this minimum amount to take care of deferred maintenance has been made available, and expended in whole or in part, and after the service is reasonably satisfactory, it is my recommendation that the

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Commission should issue a supplemental order and grant applicant a reasonable increase in the rates of fare sufficient at least to enable the continuance of operation and the setting aside of a depreciation fund. In such a supplemental order there should be incorporated the company's stipulation contained in the present application, that all income over and above operating expenses shall be held and used under the direction of the Commission for the betterment of applicant's equipment and service to the extent and until such time as the Commission may direct.

I suggest the following form of order:

ORDER.

Monterey and Pacific Grove Railway Company having filed with the Commission its application for an increase of its street railway fares, an investigation having been made and a public hearing having been held, and the Commission finding as a fact that the condition of this property and that the service rendered the public is unsatisfactory and that an increase in the rate of fare is not justified until operating and service conditions have reasonably been improved, as referred to in the foregoing opinion, and that only after such improvement an order authorizing a reasonable increase in the rate of fare, on conditions to be fixed by the Commission, should be made;

It is hereby ordered, that applicant, within thirty days from the date of this order, make available in cash and deposit locally the minimum amount of $8,000 to be expended by the present local management in deferred maintenance of the railway and for the betterment of service under direction of this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of April, 1921.

DECISION NO. 8838.

IN THE MATTER OF THE APPLICATION OF VALLEY TRANSIT COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUANCE OF STOCK.

Application No. 6434.
Decided April 9, 1921.

Everts and Ewing, Harry A. Encell, by *Harry A. Encell*, for Applicant.

MARTIN, *Commissioner*.

OPINION.

In this application, as amended at the hearing, Valley Transit Company asks permission to issue $60,000 of stock to acquire from J. C.

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Walling certain operative rights and privileges, a stage line business, automobile equipment and appurtenances and office furniture and fixtures.

The property which J. C. Walling intends to sell and transfer to Valley Transit Company is that described in Application No. 5235 and Application No. 5528. On February 20, 1920, the Commission made its order (Decision No. 7156) in Application No. 5235, authorizing J. E. Moore to transfer to J. C. Walling certain rights and privileges to operate a stage line between Fresno and Porterville serving the intermediate points of Malaga, Fowler, Selma, Kingsburg, Traver, Goshen, Visalia, Farmersville, Exeter, Lindsay and Strathmore.

On April 8, 1920, the Commission made its order (Decision No. 7395) authorizing J. F. Scott to transfer certain operative rights and privileges to J. C. Walling, such rights and privileges covering the the operation of auto stages between Visalia and Bakersfield via Exeter, Lindsay, Porterville and Delano. J. C. Walling did not only acquire the operative rights and privileges from J. E. Moore and J. F. Scott, but also their automobile equipment, materials and supplies, office furniture and fixtures. In Application No. 6433, J. C. Walling asks permission to transfer the operative rights and privileges together with automobile equipment, materials and supplies, office furniture and fixtures to Valley Transit Company. An order in Application No. 6433 will cover the transfer of the operative rights and privileges.

Applicant in Exhibit "1" describes the automobile equipment and other property and reports the present value of such equipment and property as follows:

PROPERTY.

Equipment:	Present value
Car No. 31, 12-cylinder Packard, 8 passenger, 1916 model	$3,500 00
Car No. 32, 12-cylinder Packard, 11 passenger, 1917 model	6,000 00
Car No. 33, 12-cylinder Packard, 14 passenger, 1917 model	8,000 00
Car No. 34, 6-cylinder Packard, 8 passenger, 1916 model	3,000 00
Car No. 35, 12-cylinder Packard, 14 passenger, 1917 model	8,000 00
Car No. 36, 12-cylinder Packard, 11 passenger, 1917 model	6,000 00
Car No. 37, 8-cylinder Cadillac, 8 passenger, 1916 model	2,000 00
Car No. 38, 8-cylinder Cadillac, 11 passenger, 1916 model	4,000 00
Car No. 39, 8-cylinder Cadillac, 11 passenger, 1916 model	4,000 00
	$44,500 00
Desks, chairs, safe, electric fans, heaters, and miscellaneous fixtures for three offices	3,000 00
Adding machine	175 00
Typewriter	60 00
Shop tools and equipment	1,000 00
Supplies—inventory	2,756 00
Total	$51,481 00

In its original application, applicant asked permission to issue $50,000 of stock to J. C. Walling in exchange for the properties and assume the payment of an $8,500 indebtedness. At the hearing, counsel for

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applicant asked permission to amend the application to cover the issue of $10,000 of additional stock on account of good will, going concern value and development costs. Applicant has made no satisfactory showing justifying the issue of the additional $10,000 of stock for such purposes.

The present value of the equipment and other properties is reported at $51,481. The indebtedness which applicant asks permission to assume amounts to $8,500, leaving an equity in the property of $41,981. The order herewith will permit applicant to issue $51,500 of stock, of which $43,000 may be issued to J. C. Walling in exchange for the equity in the properties which he intends to transfer to Valley Transit Company, and the remaining $8,500 of stock may be sold at not less than par to pay the indebtedness which Valley Transit Company asks permission to assume.

I herewith submit the following form of order:

ORDER.

Valley Transit Company having applied to the Railroad Commission for permission to issue $60,000 of stock, a public hearing having been held and the Commission being of the opinion that applicant should be permitted to issue $51,500 of stock and that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order;

It is hereby ordered, that Valley Transit Company be, and it is hereby, authorized to issue $51,500 of its common capital stock and to assume the payment of the $8,500 indebtedness referred to in this application.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized to be issued, $43,000 shall be delivered to J. C. Walling in part payment for the properties described in the foregoing opinion and in this application.

2. Of the stock herein authorized to be issued, $8,500 shall be sold by applicant for not less than par and the proceeds used to pay the indebtedness which applicant is herein permitted to assume, or for such other purposes as the Railroad Commission may hereafter authorize by a supplemental order or orders.

3. Valley Transit Company shall file with the Railroad Commission, within thirty days after the date hereof, a detailed statement of the indebtedness, the payment of which it is herein permitted to assume.

4. Valley Transit Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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5. The consideration which applicant is herein authorized to pay for the properties which it intends to acquire from J. C. Walling shall not be urged before this Commission, or any other public body having jurisdiction, as a measure of value of said properties for the purpose of fixing rates, or for any purpose other than the issue of the stock herein authorized.

6. The authority herein granted will apply only to such stock as may be issued, sold and delivered on or before October 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of April, 1921.

DECISION No. 8839.

IN THE MATTER OF THE APPLICATION OF CHICO WATER SUPPLY COMPANY, A CORPORATION, FOR AN INCREASE IN RATES AND CHARGES FOR WATER FURNISHED ITS CONSUMERS IN THE CITY OF CHICO AND ADJACENT TERRITORY.

Application No. 5524.
Decided April 9, 1921.

WATER RATES—INSTALLATION OF METERS—BENEFITS OF.—The benefits to be derived from a metered system are well established, as a flat rate tends to an excessive and extravagant use of water. Meters result in a conservation of the supply, an equitable distribution of the charges and a reduction in operating expense which ultimately results in a saving to the consumer. Revised schedule of rates for water established to become effective within twenty days and recommendation made that applicant proceed to fully meter its system.

Guy R. Kennedy, for Applicant.

MARTIN, *Commissioner*.

OPINION.

Chico Water Supply Company, an incorporated public utility engaged in the business of supplying water for domestic and irrigation purposes in the city of Chico and adjacent territory, makes application for an increase in rates.

The application alleges in effect that by reason of increased costs of maintenance and operation the present rates are noncompensatory and insufficient to produce a remunerative annual revenue; wherefore the Railroad Commission is requested to make its order authorizing an increase of 25 per cent in the flat rates charged and adjusting the meter rates to conform thereto.

A public hearing was held in this proceeding at Chico, of which all interested parties were notified and given an opportunity to appear and be heard.

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Chico Water Supply Company was incorporated in 1908 and acquired by purchase all of the property of the Chico Water Company, which was organized in 1874 for the purpose of supplying water to the town of Chico. The history of the company shows a gradual expansion and improvement of the original system to meet the growth and needs of the community.

The present system consists of six groups of wells and timbered galleries and five pumping plants, all electrically driven except the main Plant No. 1 and the old reserve unit in Plant No. 6, which are steam driven. Pump No. 3 has been dismantled and the water is now siphoned a distance of 1250 feet to the pump sump of No. 1. All water is pumped directly into the distribution mains and the excess goes to two steel storage tanks of 105,000 and 152,000 gallons, respectively, erected on 119-foot steel towers. About 70 per cent of the distribution mains are 4-inch to 12-inch in diameter and consist largely of cast-iron pipe. These large mains, together with the storage tanks, affords ample pipe capacity and pressure for fire protection in the downtown area.

The pumping records show a very large use of water as compared with other like communities throughout the State. Chico with a population of about 9000 has an average daily consumption of some 280 gallons per capita with a maximum of about 450 gallons per capita in the summer. The normal demand for water during the winter and spring months is supplied by the main pump plant, No. 1, supplemented by Plant No. 2, while the three other pump plants are operated only as required to meet the large summer irrigation use.

The present rates, which have been in effect for some 25 years, were established by the municipal authorities. These rates include both flat and measured schedules of charges. There are about 1800 consumers, of whom only 76 receive service on the measured basis. The fact that so small a percentage of the service connections are metered no doubt accounts for the excessive use of water.

H. A. Noble, one of this Commission's hydraulic engineers, submitted a detailed schedule and appraisal of the properties showing the estimated cost as $206,008 and an estimated replacement fund of $1,854.48, computed by the sinking fund method. The above totals were corrected to $211,997 and $1,929.94 respectively, by reason of the omission of certain lengths of standard screw pipe ranging from ¾-inch to 2½-inch diameter, which omissions were disclosed by checking the lengths of distribution mains as shown by a map filed by applicant.

No appraisal of these properties was submitted by applicant or the consumers at the hearing.

Mr. George R. Kibbe, of this Commission's accounting department, submitted an analysis of the company's book records which shows the

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total fixed capital charged on the books to be $213,776.27. However, except for recent years a detailed analysis of the various accounts going to make this sum could not be obtained from the available records. It is therefore impossible to determine whether or not the various items going to make up this sum were properly entered in the records.

The maintenance and operating expenses for the year 1918 totalled $25,025.19 and for the year 1919 these expenses increased to $30,605.07, largely due to increased pumping costs. The details of this expenditure were examined and found to be properly charged, with the exception of a few small items. Allowing for increased costs of electric power, salaries and other items of expense, the Commission's engineer estimated that $31,500 is a reasonable amount to include in the annual charges for future maintenance and operation expenses.

Taking into consideration the facts set forth herein, together with all other evidence relating to the value of the plant, its capacity to render efficient and adequate service, and the operating conditions, it appears that the following annual charges are the fair and reasonable amounts to be produced from rates.

Interest return	$17,300 00
Replacement annuity	1,930 00
Maintenance and operation expenses	31,500 00
Total	$50,730 00

Applicant's operating revenues totalled $39,074.02 in 1919 and $35,025 in 1918. It is therefore apparent that the present rates charged do not return to applicant the reasonable annual charges of the system. The evidence shows, however, that applicant has in general charged rates a great deal less than the established rates and thereby has lost revenues to which it is entitled.

A study of the present flat-rate schedule in connection with the data of water use compiled from a recent house survey shows that an adjustment of the form of the flat-rate schedule in effect will more equitably distribute the charges among the various consumers, and will largely contribute to the increase in revenue required.

The rates set out in the following order are designed to yield approximately the above estimated annual charges. However, attention is called to the fact that it is impossible to establish a schedule of unmeasured rates whereby the charges will be equitably distributed among the various consumers in proportion to their use of water. A flat-rate tends to an excessive and extravagant use of water. The benefits to be derived from a metered system are well established. They result in a conservation of the supply, an equitable distribution of the charges and a reduction in operation expenses, which in this system would be chiefly pumping costs and ultimately result in a saving to the consumer.

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It is therefore recommended that this utility adopt some comprehensive plan for a gradual metering of the entire system.

ORDER.

Chico Water Supply Company having applied to this Commission for an order authorizing it to increase its rates, and a public hearing having been held and the Commission being fully apprised in the premises,

It is hereby found as a fact that the present rate schedule of Chico Water Supply Company, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by said company for water.

And basing its order on the foregoing finding of fact, and the other statements of fact contained in the opinion preceding this order;

It is hereby ordered, that Chico Water Supply Company be and it is hereby authorized to file with this Commission within twenty (20) days from the date of this order, the following schedule of rates, said rates to be charged for all service rendered subsequent to May 1, 1921:

RATE SCHEDULE.

Monthly Flat Rates.

1.	Residences and tenements of 5 rooms or less occupied by a single family	$1 20
	For each additional room	10
	Additional for each flush toilet or bathtub	20
	For each private garage where automobiles are washed on the premises	20
	For each private barn with not more than two horses or cows	60
	For each additional horse or cow	25
2.	Private boarding houses—for each roomer or boarder in addition to the family rate	10
3.	Sprinkling or irrigation of lawns, shrubbery, gardens, etc., payable every month in the year, up to 3000 square feet, per 100 square feet of surface watered	03
	Over 8000 square feet, per 100 square feet of surface watered	.015
4.	Restaurants and cafes, per unit of seating capacity	12
	Minimum charge	2 00
5.	Offices: rooms in upper stories of buildings so occupied, for each room with water tap except doctors' and dentists' offices	60
6.	Doctors' and dentists' offices, not exceeding two rooms with water tap	1 50
	For each additional room with water tap	50
7.	Drug stores	1 75
8.	Photograph galleries, or where water is used for commercial photo developing and printing in addition to the rate for store or premises	1 50
9.	Barber shops, for single chair	1 25
	For each additional chair	50
10.	Soda fountains, soft drink places and ice cream or lunch parlors, either alone or in connection with other business	1 75
11.	Bakeries, butcher shops and retail markets	2 00
12.	Livery and sales stables or stockyards, per average number of stock fed	30
	Minimum payment	2 50
13.	Public garages, average 6 automobiles or less	3 50
	For each additional automobile	30

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14. Blacksmith, wagon and repair shops where water is used for cooling tires, etc. ---------- 1 50
15. Public halls, clubs or lodge rooms ---------- 1 50
    Additional for buffet ---------- 1 50
16. For ordinary stores and shops not otherwise listed, according to use of water ---------- $1 00 to 3 00
17. For use of hose in front of stores and shops for washing windows and sprinkling sidewalks, streets, etc., according to frontage ---------- $0 25 to 1 25
18. Living rooms in connection with stores or shops, additional to store rate 75
19. Additional for each toilet or bathtub in 4 to 16 inclusive ---------- 30
20. Bathing establishments, either alone or in connection with barber shops, for one public bath tub ---------- 1 25
    For each additional bathtub ---------- 75
21. Private fire service:
    For hydrants of 4-inch mains or larger ---------- 75
    For hydrants of less than 4-inch mains ---------- 50
22. Public water troughs, each ---------- $1 25 to 2 50
23. Public drinking fountains in any place ---------- 1 00
24. Building work:
    For mortar and to dampen brick, per 100 brick ---------- 25
    For cement work and plastering, each barrel of cement or lime used ---------- 25
25. Water for all purposes or establishments not herein specified including hotels, lodging houses, apartments and laundries, charged for at meter rates.
26. Meters may be installed at the request of any consumer or at the option of the utility.

Public Use.

1. For service of water for the extinguishment of fires which may be drawn from the 115 fire plugs and the 19 fire cisterns at present in service, which are the property of the city, per month ---------- $275 00
   For each additional fire plug or hydrant which may be installed, per month ---------- 1 00
2. Water for sprinkling roads and streets by the city or county and for flushing of sewers, by computed or measured quantity used, per 100 cubic feet ---------- 10
3. For all other municipal use of water the charges shall be made at the regular meter rates.

Metered Use.

1. Monthly minimum payments for metered use:

For ¾-inch and ⅝-inch meters	$1 00
For 1-inch meters	2 50
For 1½-inch meters	3 25
For 2-inch meters	4 00
For 2½-inch meters	4 75
For 3-inch meters	5 50

2. Monthly quantity rates:

	Per 100 cubic feet
For use between 0 and 1000 cubic feet	$0 22
Between 1000 and 3000 cubic feet	17
All use over 3000 cubic feet	12

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of April, 1921.

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DECISION No. 8841.

IN THE MATTER OF THE APPLICATION OF EMMA H. ROSE, ANNA G. LANE AND HOBART ESTATE COMPANY, A CORPORATION, FOR LEAVE TO DISCONTINUE OPERATION OF THE DOUGLAS DITCH IN EL DORADO COUNTY, CALIFORNIA.

Application No. 3006.

FAIRPLAY WATER USERS' ASSOCIATION

vs.

EMMA H. ROSE, ANNA G. LANE AND HOBART ESTATE COMPANY.

Case No. 1123.
Decided April 9, 1921.

IRRIGATION SERVICE—ABANDONMENT OF.—The Railroad Commission authorizes a water utility to abandon irrigation service through a certain ditch which it operates when the evidence shows that the revenue obtained from such service is far below the actual cost of operation and maintenance.

McCutchen, Willard, Mannon and Green, by *Allan P. Matthew*, for Applicants and Defendants.

Abe Darlington and *Henry S. Lyon*, for Protestants and Complainants.

BY THE COMMISSION.

OPINION ON PETITIONS FOR REHEARING.

The Railroad Commission rendered its opinion and order in above entitled proceedings on January 9, 1918, by Decision No. 5058 (Volume 15, page 52, Opinions and Orders of the Railroad Commission of California), wherein applicant was authorized to discontinue service of water through what is known as Douglas ditch and its laterals provided either of the two conditions as set forth therein were complied with, which stated in brief are:

(1) That applicant abandon the ditch and convey the property and rights for a nominal consideration to any party desiring to operate same.

(2) Upon filing statements from all users of record either waiving their rights to service from the ditch or agreeing that service be abandoned.

And it was further ordered that in case either of said conditions were not complied with prior to March 1, 1918, applicant was to repair the Douglas ditch and provide for and maintain adequate service to the consumers.

Applicant filed a petition and also an amended petition for a rehearing in the above proceedings, contending that in view of the evidence the Commission should have permitted the abandonment of the ditch unconditionally and asks for a reversal of the order as made in said Decision No. 5058. Also, the protestants and complainants filed with

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the Commission their answers thereto to the effect that said decision should stand as ordered and the petition for a rehearing be denied.

The evidence shows that during July, August and September, 1916, prior to the date of filing of the application herein to discontinue operation of Douglas ditch and following the Commission's investigation of an informal service complaint made by certain water users, by agreement the Fairplay Water Users' Association took over the operation and maintenance of the ditch at a nominal rental, but unsuccessfully, and applicant was compelled to assume control again.

After due consideration of the evidence the Commission on November 12, 1918, rendered its Decision No. 5910 (Volume 16, page 212, Opinions and Orders of the Railroad Commission of California), denying a rehearing and modifying the previous order to the effect that all interested parties make an effort to agree on terms for a discontinuance of service from said ditch and within 30 days to file reports either jointly or separately stating the result and that thereafter an appropriate order would be made by the Commission.

Subsequent thereto reports were filed by both applicant and defendants to the effect that an agreement as to terms for discontinuance of said ditch could not be reached, although applicant had made an offer to purchase approximately 10 acres of land which has been irrigated from the ditch for the sum of $500, on condition that Fairplay Water Users' Association consent to the discontinuance of the service of water through the Douglas ditch.

Thereupon, it appearing to the Commission that an agreement on the latter basis could be reached, its "First Supplemental Order Directing the Deposit of Funds" was issued on June 26, 1919, being Decision No. 6459 of the Railroad Commission of California.

Upon receipt of said Decision No. 6459, Fairplay Water Users' Association petitioned for a rehearing of above entitled proceedings which was granted and a public hearing was held at Fairplay before Examiner Satterwhite, of which all interested parties were notified and given an opportunity to appear and be heard, and the evidence having been taken and briefs filed, said proceedings have been submitted and are ready for decision.

The evidence shows that Douglas ditch was built by applicants' predecessor about 1853, primarily to supply water for mining purposes at Indian Diggins and vicinity which use ceased about 1911. While water was sold generally to the public during this period, the demand for irrigation use and the acreage irrigated in any one season was small. Furthermore, during the years 1911 to 1917, after mining use had been discontinued, the total area irrigated, consisting of scattered parcels, did not exceed 10 acres per season. It was shown that the

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expense of maintenance and operation of said ditch, a large item being the repair of flumes, had been over $2000 per year since mining ceased in 1911, and the revenue, all from irrigation use, was less than $100 per year.

Testimony at the rehearing brought out that applicant had for many years operated Douglas ditch in connection with the Tyler and Simpson ditches as a high level ditch system delivering water into a distributing reservoir for the supply of the town of Plymouth and the Plymouth mine. Douglas ditch was depended upon for its late summer flow to supplement the low flow of the other ditches. However, when the Plymouth mine was operating the summer supply was always inadequate for this mine and town and it was necessary and customary to curtail the irrigation use.

Plymouth mine was closed down for a number of years, but renewed operations about 1912 with an enlarged mill requiring a large constant water supply. Therefore, the supply from the Enterprise ditch or low level system was introduced by applicant to provide this service.

Applicant continued to operate both ditch systems for the supply of the town and Plymouth mine until 1916, when an electric pump unit was installed on Enterprise ditch for the supply of the town and then the high-level ditch system was cut off from the town reservoir. Thereafter Douglas ditch was operated solely for the small irrigation service heretofore mentioned.

Further, Douglas ditch was operated after discontinuance of mining use mainly in an endeavor to get sufficient water into Tyler and Simpson ditches for the supply of the town of Plymouth, which supply was found to be insufficient by reason of the large seepage losses.

Enterprise ditch diverting from both middle and south forks of Cosumnes River traverses a different soil formation from Douglas ditch with comparatively small seepage loss and the ditch system is about half the length of the high-level system.

A considerable portion of Douglas ditch consists of hillside wooden flumes frequently damaged by slides in the winter months, and which must be maintained and renewed at heavy expense. The reported seepage losses are approximately 60 per cent of the quantity turned in at the intake.

Notwithstanding the testimony of witnesses, that a considerable additional area would be irrigated from Douglas ditch, if the water was available, it is evident, with the character of the ditch system and the present available supply, that adequate irrigation service for this use could not be provided without large additional capital expenditure to eliminate seepage losses or to provide storage facilities. Further, if the necessary improvements were made to provide adequate service for

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additional acreage, an unreasonably high and prohibitive water rate would result in order to return the necessary annual charges.

By reason of the topography of the area in the vicinity of the ditch with comparatively few scattered tracts of small area capable of irrigation from the ditch and their inaccessibility to markets, it is evident that these areas cannot be irrigated economically or advantageously.

Further, from the evidence the crops heretofore raised on the small area irrigated were purely for local consumption and none were cultivated for the general market.

Considering the facts set forth herein and the further facts regarding the limited use of water from the ditch, the large expense of operation and maintenance and the small and inadequate revenue from the present consumers as heretofore set forth in the opinion, in Decision No. 5058, *supra,* applicant will be permitted to abandon service from said Douglas ditch and its laterals.

ORDER.

Petition for rehearing in the above entitled proceedings having been brought, a public hearing having been held and the Commission being fully apprised in the premises,

It is hereby found as a fact that public necessity does not require that Emma H. Rose, Anna G. Lane and Hobart Estate Company, a corporation, shall continue the operation of that portion of a public utility water system known as Douglas ditch and located in El Dorado County;

And basing its order upon the foregoing finding of fact, and upon the further statements of fact contained in the opinion preceding this order;

It is hereby ordered, that the order heretofore made by this Commission in its Decision No. 5058, dated January 19, 1918, in the above entitled proceedings be and it is hereby rescinded and set aside.

It is hereby further ordered, that Emma H. Rose, Anna G. Lane and Hobart Estate Company be and they are hereby authorized to discontinue the operation of the so-called Douglas ditch located in El Dorado County.

It is hereby further ordered, that in all other respects than as herein provided the petition for rehearing be and it is hereby denied.

Dated at San Francisco, California, this ninth day of April, 1921.

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DECISION NO. 8842.

IN THE MATTER OF THE APPLICATION OF THE CAMPBELL WATER COMPANY FOR INCREASE OF RATES AND THE ESTABLISHMENT OF CERTAIN RULES AND REGULATIONS.

Application No. 6145.
Decided April 9, 1921.

H. G. Hill, for Applicant.

BY THE COMMISSION.

OPINION.

The Campbell Water Company, applicant herein, is a public utility engaged in the business of supplying water for domestic and irrigation purposes in and adjacent to the unincorporated town of Campbell, Santa Clara County. In this proceeding applicant asks authority to increase its rates, alleging in effect that the increased cost of labor and materials has rendered the income derived from its present rates unremunerative and noncompensatory. In addition to the establishment of increased rates, applicant asks the Commission's approval of certain rules and regulations.

A public hearing was held in this matter before Examiner Satterwhite, at Campbell, of which applicant's consumers were duly notified and given an apportunity to appear and be heard.

The Campbell Water Company acquired the water system in question under authority of this Commission in Decision No. 1484, Application No. 1065, issued May 5, 1914, *In the Matter of the Application of Campbell Water Company to sell its water plant to the Campbell Water Company, and of the Campbell Water Company to purchase the same and to issue 180 shares of its capital stock in payment therefor.* (Volume 4, page 961, Opinions and Orders of the California Railroad Commission.)

Subsequent to the granting of the above application, the Campbell Water Company has appeared before the Commission in various proceedings. These matters are set out below and reference is hereby made to the proceedings cited for the early history of this utility, its operating conditions, and any other data which may be pertinent to the decision herein:

Application No. 1732, filed January 19, 1915.
For permission to issue new stock.
Granted—Decision No. 2577, issued July 8, 1915.

Application No. 1908, filed October 7, 1915.
For permission to increase rates.
Dismissed at request of applicant.
Decision No. 3178, issued March 22, 1916.

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Application No. 2677, filed December 18, 1916.
For permission to issue note.
Granted—Decision No. 3995, issued January 9, 1917.

The present rates were in effect when this company acquired the property, and include both flat and metered charges. The flat rates are only applied to business houses where the use is comparatively small. The measured rates in effect are as follows:

Service connections larger than ¾-inch pipe and §-inch meter.

¾-inch meter	$1 25
1-inch meter	1 50
1½-inch meter	3 00
2-inch meter	4 00
Minimum per month for 3000 gallons, §-inch meter	1 00
Between 3000 and 6000 gallons, per 1000 gallons	20
Over 6000 gallons, per 1000 gallons	15
For irrigation per hour run of pump	2 25

There are some 262 metered services and about 29 unmetered services, and there are also some 16 consumers taking water for irrigation purposes. For irrigation use the full capacity of the pump is delivered through a 12-inch concrete pipe to each consumer. The pump delivers between 400 and 1000 gallons per minute, depending on the elevation of the underground water table.

J. G. Hunter, one of the Commission's hydraulic engineers, submitted an estimate of the investment in operative property, based upon the prices of labor and materials which prevailed during the period of installation of the various structures, in the amount of $34,340. On this basis an annual replacement fund of $557 was allowed, computed by the sinking fund method. This amount set aside annually is designed to provide a fund for the replacement of wornout properties.

Applicant submitted an estimate of its operating expenditures for 1921 in the amount of $8,895. This estimate was based on 1920 expenses.

The following tabulation shows a comparison of operating expenditures and revenues over a period of the past three years:

Item	1918	1919	1920
Operating expenditures	$3,980 00	$5,651 00	$8,594 00
Operating revenues	6,960 00	7,785 00	10,149 00

These figures show a considerable increase from year to year, which has been largely due to the necessity for increased use of irrigation water because of the intense drought which prevailed during these three years. The 1920 expenses increased particularly because the water table was lowered beyond the depth of the company's well, and it was necessary to purchase water from other sources to supply consumers. However, the present season's rainfall will no doubt replenish the underground supply so that the further purchase of water will not be necessary.

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Based upon the evidence submitted and a detailed analysis of the book accounts, it is estimated that $8,220 is a reasonable allowance for the future annual operation expenditures.

The following is a summary of the annual charges which should reasonably under normal conditions be returned to the utility in the form of rates:

Return on $34,340 at 8 per cent	$2,747 00
Replacement fund	557 00
Maintenance and operation	8,220 00
Total	$11,524 00

As shown by the operating revenues which are tabulated herein, it will be seen that while the revenue for 1920 was $10,149, the average revenue over the period indicated is considerably less. As we have reason to believe that the peak of the drought period is now passed, conditions will again return to normal, and we do not anticipate that the income from operation will keep pace with the record of the past three years.

Taking into consideration the various phases of the situation as outlined herein, we find that some adjustment of rates is necessary to enable this company to operate on a more remunerative basis. The rate schedule established in the following order is designed to return to applicant a revenue equal to the annual charges set out above, and charge a rate to consumers which is reasonable for the service rendered.

While specific authority has been asked in this proceeding for the approval of certain rules and regulations, attention is directed to the fact that the Commission handles this phase of public utility regulation by a different method than through formal proceedings. In the order which follows, applicant will be required to file a complete schedule of its proposed rules and regulations, which will be given consideration and become effective as indicated in the order.

ORDER.

The Campbell Water Company having applied to the Railroad Commission for an order authorizing an increase in its rates for water, a public hearing having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates heretofore charged by the Campbell Water Company, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and the rates herein established are just and reasonable.

And basing its order upon the foregoing finding of fact, and on the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered by the Railroad Commission of the State of California that the Campbell Water Company be and it is hereby

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authorized and directed to file with the Railroad Commission, within twenty (20) days of the date of this order, the following schedule of rates, said rates to be charged for all water delivered to consumers on and after April 1, 1921, and on that date to supersede any and all rate schedules theretofore in effect or on file by the Campbell Water Company:

Monthly Flat Rates.

Residences not over five rooms, occupied by single family	$1 50
For each additional room	10
Additional for each flush toilet and bathtub	25
For each horse or cow	25
For each private garage where automobiles are washed on the premises	25
For each public garage, ten cars or less	2 50
For each additional machine	25
For sprinkling or irrigation of lawns, garden or shrubbery, for each square yard of surface actually irrigated	01
Restaurants and cafes, according to use of water	$2 00 to 3 00
Offices in upper stories of buildings, for each room provided with a water tap, except doctors' and dentists' offices	50
Doctors' and dentists' offices not exceeding two rooms provided with water tap	1 50
For each additional room with a water tap	50
Drug stores	1 00
Photograph galleries	2 50
Barber shop, single chair	1 50
For each additional chair	50
Soda fountain, soft drink places and ice cream or lunch parlors, either alone or in connection with other business	2 50
Butcher shops, bakeries, according to use of water	$1 00 to 2 50
Blacksmith and repair shops, according to use of water	$1 50 to 3 00
Living rooms in connection with stores, shops or buildings additional to store, shop or other rate	75
Additional for each flush toilet or bathtub in above establishments not otherwise provided for	25
For ordinary stores and shops not otherwise listed above, according to use of water	$1 50 to 3 00
Public water trough	3 00
Fire hydrants on 4-inch mains	2 00
Fire hydrants on mains less than 4-inch main	1 50
Water for irrigation, per hour for full capacity of pump	2 50

All other use shall be charged for at meter rates. Meters may be installed at the request of any consumer or by the utility.

Service Charge for Each Meter in Use.

Size of meter	Per month
⅝ -inch	$0 50
¾ -inch	1 00
1 -inch	1 50
1½-inch	2 50
2 -inch	4 50

For Water Delivered Through Meters.

0 to 400 cubic feet	$0 25 per 100 cubic feet
400 to 2000 cubic feet	20 per 100 cubic feet
Over 2000 cubic feet	15 per 100 cubic feet

It is hereby further ordered, that the Campbell Water Company be and it is hereby directed to file with the Railroad Commission for its approval, within thirty (30) days from the date of this order, rules and

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regulations governing service to consumers, said rules and regulations to become effective upon their approval and acceptance by the Commission.

Dated at San Francisco, California, this ninth day of April, 1921.

DECISION No. 8843.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA RAPID TRANSIT COMPANY, INCORPORATED, FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE FREIGHT AND EXPRESS SERVICE.

Application No. 6422.
Decided April 9, 1921.

AUTO STAGES CERTIFICATES—HEARINGS ON—APPEARANCES.—When application is made to this Commission for a certificate to operate an automobile stage line, which application necessitates the appearance of a number of protestants and the applicant fails to appear at the time and place set for a hearing, the Commission will require proof of good faith before acting upon any future proceeding filed by the same parties. Application dismissed.

G. H. Gobar, for Welton and Snyder, Protestants.

Herbert W. Kidd, for L. R. Kagarise, proprietor, Keystone Express; T. R. Rex; Boutell and Fuqua; J. O. Ernst; C. W. Curphey; Los Angeles and San Pedro Transportation Company; Thomas Vance; Walter Raisin; Motor Transit Company; Motor Carriers' Association; United Stages; G. and W. Stage Company; and Pickwick Stages, Inc., Protestants.

H. N. Blair, for American Transfer Company, Protestant.

W. T. Quirck and *E. T. Lucey*, for The Atchison, Topeka and Santa Fe Railway Company, Protestant.

Frank Karr, by *G. F. Squires*, for Pacific Electric Railway Company, Protestant.

L. N. Bradshaw and *B. J. Cross*, for Southern Pacific Company, Protestant.

L. T. Fletcher, for Fletcher and Tremble, proprietors, Service Motor Express, Protestants.

M. Thompson, for American Railway Express, Protestant.

Fred T. Pettit, for Los Angeles and Salt Lake Railroad, Protestant.

I. L. Hamilton, for Van Nuys Truck, Protestant.

H. S. Macy, for Auto Baggage Delivery, Protestant.

BY THE COMMISSION.

ORDER OF DISMISSAL.

A public hearing having been held in the above entitled proceeding by Examiner Handford at Los Angeles on March 31, 1921, at which time no appearance was made in behalf of applicant herein, notwithstanding that due notice of such hearing had been given and that a large number of protestants, together with witnesses, were present and ready to proceed;

It is hereby ordered, that this application be and the same hereby is dismissed.

It is hereby further ordered, that no application on behalf of the California Rapid Transit Company, Incorporated, will in future be set

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for hearing by the Railroad Commission until such applicant will have satisfied this Commission that such future application contains matters sufficiently meritorious, in the opinion of the Commission, to justify a public hearing, thereby conserving the time and expense resulting from the setting of hearings where applicants are not represented and also the time and expense of other interested parties who may appear in protest, together with the inconvenience caused by the appearance of attorneys and witnesses representing protestants.

Dated at San Francisco, California, this ninth day of April, 1921.

DECISION No. 8845.

IN THE MATTER OF THE APPLICATION OF JESSE S. HARKER AND EDNA M. HARKER TO SELL AND CONVEY, AND OF E. A. PERKISS TO MORTGAGE THE MELVIN PLACE WATER PLANT, LOCATED IN LOS ANGELES COUNTY, CALIFORNIA.

Application No. 6553.

IN THE MATTER OF THE APPLICATION OF E. A. PERKISS FOR AN ORDER AUTHORIZING THE MORTGAGE OF THE MELVIN PLACE WATER PLANT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.

Application No. 6564.
Decided April 9, 1921.

Chas. L. Evans, for Applicants in Application No. 6553.

BY THE COMMISSION.

OPINION.

By above Application No. 6553, Jesse S. Harker and wife, Edna M. Harker, seek authority to convey to E. A. Perkiss, who joins in the application, the Melvin Place water plant near Los Angeles, more particularly described in the order herein, and serving about 300 consumers with domestic water; and in Application No. 6564, the latter seeks authority to issue note for $6,000, due in one to six years, with interest at 8 per cent, and to execute a mortgage on said water plant to secure payment on note.

A public hearing on both applications was held by Examiner Westover at Los Angeles.

It appears from testimony that Mr. Harker wishes to withdraw from the public utility business and devote his time to private interests which would take him away from the State, and that Mr. Perkiss plans to live on or adjoining the property in question and give personal attention to the operation of the plant. It appears that he is ready, willing

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and able to furnish adequate service and, under the circumstances, appears to be better situated to do so than Mr. Harker. Apparently a transfer of the property, as requested, would be in the public interest.

It is evident from Application No. 6564, and also from the testimony at the hearing, that Mr. Perkiss wishes to use the proceeds of the proposed loan of $6,000 for purposes not connected with the public service.

Under the facts submitted in this proceeding, we do not believe that a mortgage should be placed on the public utility properties. It appearing that the proceeds of the proposed loan are to be used for private purposes, the application to issue note and mortgage should be denied.

ORDER.

A public hearing having been held upon the above entitled applications, the matters having been submitted and now being ready for decision;

It is hereby ordered, that Jesse S. Harker and Edna M. Harker, his wife, be and they are hereby authorized and empowered to transfer to E. A. Perkiss, or his transferee, lots 4 and 5 of Melvin place, as per map thereof recorded in book 11, page 90, of maps, Los Angeles County records, together with the water plant located thereon, known and described as Melvin place water plant, consisting of wells, pumps, pipes and equipment used and useful in the operation of said water plant.

The authority herein contained to transfer said plant is granted upon the following conditions:

(1) Nothing herein contained shall be construed in any proceeding before this Commission or any other tribunal or public body as a finding of value of said property herein described.

(2) The within authority to transfer said property shall apply only to such transfer as shall have been made on or before June 1, 1921.

(3) Within ten (10) days after such transfer shall have been delivered, the transferee shall report that fact in writing to the Commission, together with the date upon which he took possession of said property and began its operation as a public utility, and shall, at the same time, file with the Railroad Commission a copy of said instrument of transfer by which he acquired title to said property.

It is hereby further ordered, that Application No. 6564 for authority to issue note and secure its payment by mortgage on the above water plant be and it is hereby denied.

Dated at San Francisco, California, this ninth day of April, 1921.

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DECISION NO. 8846.

IN THE MATTER OF THE APPLICATION OF HENRY CHAUVET FOR PERMISSION TO INSTALL METERS AND INCREASE WATER RATES TO CONSUMERS OF WATER IN THE TOWN OF GLEN ELLEN.

Application No. 6026.
Decided April 9, 1921.

METERS—INSTALLATION OF—PERMISSION FOR NOT NECESSARY.—A water utility does not have to secure specific permission from this Commission to install meters. A schedule of meter rates on file or the establishment of meter rates by the Commission is sufficient authority to proceed with the installation of meters on any or all services.

RIGHT-OF-WAY CONTRACTS—PREFERENTIAL RATES—ELIMINATION OF.—The Commission will not permit the continuance of preferential rates or privileges which result in discrimination between consumers. If a consumer is entitled to further compensation for right-of-way grants it must be paid other than through a discriminatory rate.

R. L. Thompson, by *R. M. Barrett*, for Applicant.

Emma R. O'Donnell, in propria persona.

Mrs. Stella O'Donnell, in propria persona.

Mrs. Eliza Shepard, for the Jack London Estate.

BY THE COMMISSION.

OPINION.

Henry Chauvet, applicant in the above entitled matter, owns and operates a public utility water system which supplies water for domestic and commercial purposes to the inhabitants of Glen Ellen and vicinity in Sonoma County. The application alleges in effect that owing to the extravagant use of water by the consumers it has been deemed advisable to install meters, also that the present rates do not yield an adequate revenue, and authority is therefore requested for the installation of meters and the establishment of a schedule of rates that will produce a reasonable return to applicant.

A public hearing in this matter was held before Examiner Westover in Glen Ellen. All interested parties were notified and given an opportunity to be present and be heard.

This utility obtains its water supply from two small streams known as Ashbury Creek and Graham Creek. The water is diverted by dams and flows into two concrete reservoirs of a total storage capacity of approximately 35,000 gallons. From these reservoirs the water is distributed by gravity through three-inch iron pipe lines to Glen Ellen. The system has 29,420 feet of mains, the greater portion of which is two and three inches in diameter.

The rate at present in effect is a flat rate of $1.50 per month, and was established some thirty years ago when the system was installed. There are thirty-five services, all of which are permanent. Some of these

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services supply a number of cottages which are rented during the summer months.

Mr. M. R. MacKall, one of the Commission's hydraulic engineers, made a field investigation of this system and submitted a report and appraisal showing the estimated original cost of the properties to be $7,252, and allowing an annual replacement fund, computed by the sinking fund method, in the amount of $79. Four hundred fifty dollars was estimated to be a reasonable allowance for the annual maintenance and operation expenses of this utility. No other estimates or appraisals were presented and a careful analysis indicates that the estimates submitted are fair, and they will therefore be used for the purposes of this proceeding.

Following is a summary of the foregoing items which go to make up the annual charges of this utility:

Return on $7,252 at 8 per cent	$580 00
Replacement fund	79 00
Maintenance and operation	450 00
Total	$1,109 00

The revenues for 1919 were $842, and the estimated revenues for 1920 were $812. It appears, however, that the 1920 revenues could have been increased to approximately $865 had reasonable rates been charged and collected for all service rendered and from all available sources.

Evidence was presented at the hearing indicating that there are times when the supply of water is entirely inadequate to meet the demands. A serious shortage occurs each summer, which is no doubt due in large part to the unrestricted use which obtains under the flat rate schedule. There is a consequent waste of water which would be greatly reduced or entirely eliminated by the installation of meters, and this method would also result in a more equitable distribution among the consumers of the burden of maintaining the system.

It will be noted that application is made in this proceeding for specific authority to install meters. In this connection we would point out that where there is a rate established for metered service, it automatically follows that the utility has the authority to install meters. Inasmuch as a schedule of metered rates will be established in the following order, the authority to install meters will run concurrently, and therefore applicant herein has, without question, the authority to proceed with the installation of meters on any or all services, if he so desires, and charge the rates prescribed for such service.

It also developed at the hearing that applicant has been supplying water to certain consumers on a contract basis in exchange for rights-of-way. It has been found unsatisfactory and unfair for a utility to

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allow one consumer to enjoy preferential rates or privileges which result in a discrimination against another, and this practice is not permitted by the Commission. Where such a condition exists, discrimination in rates should be removed, and all classes of consumers should be charged for service at the rates which are established by the Commission and applicable to all alike. If this action results in an alleged hardship to the consumer, or if said consumer feels that he is entitled to further compensation, it is a question for the courts and not this Commission to decide.

It is apparent that the present rates do not yield an adequate return upon the investment, and that applicant is entitled to some readjustment of rates. The rate schedule established in the following order is designed to produce an increased revenue for the utility, provide for a measured schedule of rates, eliminate any discriminations which may have heretofore existed and establish rates which are fair and equitable for the service rendered.

ORDER.

Henry Chauvet, having made application to the Railroad Commission as entitled above, a public hearing having been held, and the Commission being fully apprised in the matter:

It is hereby found as a fact, that the rates now charged by Henry Chauvet for water supplied to his consumers are unjust and unreasonable in so far as they differ from the rates herein established and that the rates herein established are just and reasonable rates for the service rendered.

And basing its order upon the foregoing finding of fact and upon the statements of fact contained in the opinion which precedes this order;

It is hereby ordered by the Railroad Commission of the State of California that Henry Chauvet be and he is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, the following schedule of rates for all water delivered to his consumers in Glen Ellen and vicinity on and after May 1, 1921, said schedule to become effective as of that date and supersede any and all rate schedules for said service heretofore on file or in effect:

Monthly Flat Rates.

Minimum annual charge, payable in advance, entitling consumer to water for a period of four months	$7 00
For each additional month	1 75

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Meter Rates.

Minimum annual charge, payable in advance, entitling consumer to a maximum of 400 cubic feet of water per month for a period of four months	6 00
For all use during other months, 400 cubic feet or less	1 50
For use over 400 cubic feet:	
Next 1600 cubic feet, per 100 cubic feet	30
All over 2000 cubic feet, per 100 cubic feet	25

It is hereby further ordered, that Henry Chauvet be and he is hereby directed to file with the Railroad Commission within thirty (30) days from the date of this order, rules and regulations governing service to his consumers, said rules and regulations to become effective as corrected and amended upon their acceptance for filing by the Commission.

Dated at San Francisco, California, this ninth day of April, 1921.

DECISION No. 8847.

IN THE MATTER OF THE APPLICATION OF ROBERT L. SWANSON FOR ORDER AUTHORIZING AN INCREASE IN TELEPHONE SERVICE RATES.

Application No. 6143.
Decided April 12, 1921.

TELEPHONE SERVICE—OWNERSHIP OF INSTRUMENTS.—The Commission is not in favor of a reduced rate to subscribers owning their own telephone instruments. As the utility is directly responsible for the class of service rendered, it must own all equipment used in such service and also replenish batteries. Revised schedule of telephone rates established to become effective within twenty days.

Robert L. Swanson, in propria persona.

BY THE COMMISSION.

OPINION.

Rates were established for this applicant in the Commission's Decision No. 7670, in Application 5206, June 8, 1920. These rates have not been made effective by the applicant, it being claimed that for certain classes of service furnished they were inadequate.

Decision No. 7670 reduced the existing rate on a portion of the farmer line services and increased it on others. There were formerly twenty-five farmer line subscribers paying $6 each, per year, and fifteen, paying $3 each, per year. The rate for farmer line service, fixed by Decision No. 7670, was $4.20 per year. Applicant asks that this rate be made $6 per year.

It is further asked that the rate for subscribers connected on the applicant's through line from Berendos to Manton be increased from $1 per month, as provided in Decision No. 7670, to $1.50 per month and the rate for ten-party suburban service be reduced from $1.75 per month to $1.50 per month.

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A public hearing was held by Examiner Westover at Red Bluff. Applicant testified that of the fifteen subscribers to farmer line service who were paying $3 per year when the Commission made its investigation, prior to Decision No. 7670, all had now discontinued service except one. In view of these changed conditions, we are of the opinion that the applicant's revenue should not be further reduced by disturbing the rate of $6 which is still being paid by the other farmer line subscribers. The net revenue which all the rates (contained in the order following this opinion) will provide, is not more than the applicant is entitled to earn. The rate to the one subscriber paying $3 per year should be raised to $6 to remove discrimination which has formerly existed.

The applicant's through line from Berendos to Manton is approximately 40 miles in length. It connects the applicant's three central offices, Manton, Payne's Creek and Berendos, and the testimony of the applicant and of two of his subscribers showed that party-line service on this line was preferable to that on most of the other lines, especially those lines terminating in the Manton central office. The Manton office is necessarily a small one and the applicant cannot reasonably furnish as long hours of service through this office as through his Berendos office. Furthermore, subscribers on the through line are able to call Red Bluff through one central office. Those on other lines terminating at Manton are obliged to call through two central offices.

There are more subscribers connected to the through line than to any of the other party lines, and ordinarily service over such a line should be furnished at a lower rate than service over lines having fewer subscribers. This was the principal reason which moved the Commission in Decision No. 7670 to fix the rate on the through line at $1 per month and the rate for ten-party suburban service at $1.75 per month. But in view of the testimony of the subscribers themselves, who expressed a preference for service on the through line, as stated above, it appears that this inferiority of service is offset by direct connection with Berendos and by longer hours of service, and the applicant's request that the rates be made the same for the through line as for the other party lines appears reasonable. There is also to be considered the fact that service to and from the Red Bluff exchange of the Sacramento Valley Telephone Company, which is essential to the successful operation of the applicant's system, is common to all of applicant's subscribers. We will, therefore, authorize one rate for all party-line service on lines having three or more subscribers and excepting farmer line service.

At the hearing the applicant requested that his application be

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amended to include a rate of $1 per year for those subscribers who own their own instruments. The Commission does not favor a rate of this sort. As already stated in Decision No. 7670, the applicant should acquire the ownership of the equipment which is now held by his subscribers, except farmer line subscribers.

Application is also made for authority to require subscribers to supply their own dry cells. The Commission does not favor this. The utility should furnish dry cells and for the same reason that it should own the instruments, namely, the utility is strictly accountable for rendering service and in order to do this, it must own all the equipment.

However, in view of the testimony given at the hearing of the applicant's first application for rates to the effect that batteries were subject to appropriation by the subscribers for their own private uses, we will not require applicant to replenish batteries oftener than once in six months and not that often in any particular case where the old batteries can be made to give service for a longer period of time.

Finally, the applicant alleges that an increase in revenue is necessary on account of the high cost of labor and materials. It appears, however, that much revenue earned was not collected, but might have been by enforcing a suitable rule. In this connection, we suggest that bills for service, except farmer line service, should be rendered monthly in advance and a rule providing the penalty of disconnection for nonpayment within the legal time provided, should be filed with the Railroad Commission.

ORDER.

Robert L. Swanson having filed an application with the Railroad Commission for authority to increase rates for telephone service in territory served by his telephone system in Tehama County, California, and a public hearing on the said application having been held, it is hereby found that the rates heretofore charged for telephone service by said applicant are unjust and unreasonable and that the rates hereinafter provided are just and reasonable. Basing its conclusion herein upon said finding and upon the facts set forth in the opinion preceding this order;

It is hereby ordered by the Railroad Commission that said Robert L. Swanson be and he is hereby authorized to file with the Railroad Commission within thirty (30) days from the date of this order and thereafter to charge and collect rates in accordance with the following schedule:

Class of Service	Rate Per Month
One-party service	$2 00
Two-party service	1 75
Party line service (three or more)	1 50
Farmer line service, per year	6 00

Toll switching rates to continue as at present.

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The authority herein is granted subject to the condition that adequate and efficient telephone service shall be provided at all times for all classes of service.

Dated at San Francisco, California, this twelfth day of April, 1921.

DECISION No. 8848.

IN THE MATTER OF THE APPLICATION OF PLYMOUTH WATER COMPANY, A CORPORATION, FOR PERMISSION TO INCREASE RATES.

Application No. 5979.
Decided April 12, 1921.

WATER RATES—FREE SERVICE—DISCONTINUANCE OF REQUIRED.—A water utility which is found to have rendered free service to certain of its consumers is required to immediately discontinue such practice, it being held detrimental and unfair to other water users. Revised schedule of rates established for water service of applicant effective April 1, 1921.

W. A. Green, for Appellant.

BY THE COMMISSION.

OPINION.

Plymouth Water Company, an incorporated public utility water company, is engaged in the business of supplying water for domestic and irrigation purposes to the inhabitants of the town of Plymouth, Amador County. In this proceeding applicant asks for authority to increase its rates for service, it being alleged that the rates at present in effect are noncompensatory and insufficient to produce an adequate return on the investment.

A public hearing was held in this matter before Examiner Satterwhite at Plymouth. At the hearing applicant amended its petition to include a request for the establishment of a metered rate schedule as well as a flat rate schedule.

Plymouth Water Company was incorporated September 1, 1881. Its water supply is purchased from the Enterprise ditch owned by the Hayward, Lane and Hobart Estate Company at a flat rate of $75 per month. It is pumped from this ditch into the distribution mains and the excess goes to a 300,000-gallon concrete storage and regulating reservoir, situated at an elevation of about 185 feet above the principal portion of the district served. Electric power for pumping is furnished by the Plymouth Consolidated Mines, Limited, in return for free water for fire protection and domestic use at their mine. Said mining company obtains its main water supply directly from the Enterprise ditch.

A field investigation of this utility was made by Mr. H. A. Noble, one of the Commission's hydraulic engineers. His report and appraisal submitted at the hearing shows the estimated cost of the properties to

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be $22,124. A depreciation annuity in the sum of $380 was included, computed by the sinking fund method. This amount set aside annually is designed to provide a proper fund for the replacement of wornout properties. No appraisal was submitted by applicant at the hearing, that of the Commission's engineer being accepted for the purposes of this proceeding.

The following tabulation shows the gross revenues and maintenance and operation expenses of Plymouth Water Company for the years indicated:

Item	1917	1918	1919
Gross revenue	$2,951 92	$2,829 00	$2,871 00
Maintenance and operation expense	2,001 71	1,855 20	2,007 84

The evidence shows that the above maintenance and operation expenses have not been unreasonable, and after careful consideration of all the conditions affecting the operation of this system, it appears that $2100 is a fair allowance to include in the annual charges for future maintenance and operation expense.

The following is a summary of the above elements which go to make up the annual charges:

Interest return on $22,124 at 8 per cent	$1,770 00
Annual replacement fund	380 00
Maintenance and operation expense	2,100 00
Total	$4,250 00

At present there are about 125 active services on this system of which some 106 are for residential use and gardens, and we find that the possible revenue under the present schedule of rates will not more than meet the reasonable maintenance and operation expenses of the company. It would therefore follow that some adjustment in rates must be made to enable the company to continue its operations on a more economical basis.

The evidence shows an excessive and wasteful use of water in this community. This condition is accounted for by the unrestricted use obtaining under the flat rate schedule and results in a large pumping cost annually.

In this connection attention is called to the fact that it is impossible to establish a flat schedule of rates wherein the charges will be equitably distributed among the various consumers according to use. A flat rate tends to an excessive use of a commodity whereas metered rates not only effect an economy in the use but result in an equitable distribution of the expense of production and a saving in operation expenses, which for this utility would be chiefly pumping costs.

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We recommend that this utility adopt and put into effect suitable rules and regulations designed to eliminate waste through leaky house fixtures and further, that some plan be inaugurated for a gradual metering of the system.

The evidence further shows that in certain instances service has been rendered to consumers by this company at free or reduced rates. This practice should be discontinued at once, as it results in discriminations which should not obtain in the operation of a public utility water system.

The rate schedule established in the following order is designed to remove any discriminations which may have heretofore existed, produce an income for the utility which is equal to the amount of the annual charges set out herein, and require the payment of a rate by consumers which is reasonable for the service rendered:

ORDER.

Plymouth Water Company having made application to the Railroad Commission as entitled above, a public hearing having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates now charged by Plymouth Water Company for water delivered to consumers are unjust and unreasonable, in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for such service.

And basing its order upon the foregoing finding of fact and on the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered by the Railroad Commission of the State of California that Plymouth Water Company be and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order the following schedule of rates, said rates to be charged for all service rendered subsequent to April 1, 1921, to become effective as of that date and supersede any and all rate schedules of Plymouth Water Company therefore on file or in effect:

Rate Schedule.

Monthly flat rates:

1. Residences and tenements of not more than five rooms occupied by single families	$1 50
For each additional room	15
Additional for each bath tub or flush toilet	25
Additional for private barn, not more than two horses or cows	60
For each additional horse or cow	25
Additional for each private garage where autos are washed on the premises	20
2. Private boarding houses, for each boarder in addition to the family rate	15

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3. Sprinkling or irrigation of lawns, shrubbery, gardens, etc., per 100 square feet of surface actually watered, payable every month in the year 025
4. Livery stables and stock or feed yards per average number of stock fed, for each 40
   Minimum payment 4 00
5. Public garages: Average of five autos or less 3 00
   For each additional automobile 30
6. Soda fountains, soft drink places and ice cream or lunch parlors, in addition to the store rate 1 50
7. Barber shops, for single chair 1 50
   For each additional chair 75
8. Public halls, clubs and lodge rooms 1 50
   Additional for kitchen or buffet in connection with 1 00
9. Restaurants and cafes, per unit of seating capacity 15
   Minimum charge 2 25
10. Blacksmith, wagon and repair shops 3 00
11. Bottling works, creameries, slaughter houses, laundries and butcher shops, according to the use of water ..... $3 00 to 8 00
12. Drug stores, photograph galleries, bakeries and billiard parlors 2 25
13. Banks, doctors' and dentists' offices, plumbing shops, theaters and stores, and shops not otherwise listed 1 75
14. Living rooms in connection with stores or shops, additional to store rate 75
15. Additional for each bath tub, toilet or urinal in 4 to 14, inclusive 30
16. Bathing establishments, either alone or in connection with other business, for one public bathtub 1 50
    For each additional bathtub 75
17. Building work:
    For mortar and to dampen brick, per 1000 brick 25
    For cement work and plastering, each barrel of cement or lime used 25
18. Water for hotels, industrial use or for all purposes not otherwise specified will be charged for at meter rates.
19. Meters may be installed at the request of any consumer or at the option of the utility.

Public use:

1. For fire hydrants, including water used for extinguishing fires:
   Hydrants, 2-inch or larger, per month 75
   Hydrants less than 2-inch, per month 50
2. Sprinkling roads or streets by city or county, measured by wagon tank capacity, per 100 cubic feet 15
3. Water for public buildings and grounds and for all other public use, to be charged for at regular meter rates.

Metered use:

1. Monthly minimum payments for metered use:
   For ¾-inch and ⅝-inch meters 1 25
   For 1-inch meter 2 25
   For 1½-inch meter 3 00
   For 2-inch meter 3 75
2. Monthly quantity rates:
   For 400 cubic feet or less, per month 1 25
   For use between 400 and 1600 cubic feet, per 100 cubic feet 20
   For use over 1600 cubic feet, per 100 cubic feet 15

Dated at San Francisco, California, this twelfth day of April, 1921.

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DECISION NO. 8849.

IN THE MATTER OF THE APPLICATION OF CORTE MADERA WATER COMPANY TO INCREASE RATES.

Application No. 4401.

TOWN OF CORTE MADERA

vs.

F. A. WILSON, DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF CORTE MADERA WATER COMPANY, DOHERTY COMPANY, A CORPORATION, AND BRADBURY ESTATE INVESTMENT COMPANY.

Case No. 1309.
Decided April 12, 1921.

John J. Mazza, for Complainant.
E. L. Doherty, for Applicant and Defendants.

BY THE COMMISSION.

SUPPLEMENTAL OPINION.

By its order dated August 16, 1919, in Decision No. 6577, the Commission fixed rates for water served in Corte Madera, Marin County, upon the condition that the utility install certain repairs and betterments designed to improve its service, and serve only water obtained from its springs or from the Marin Municipal Water District. Petition for rehearing was filed and denied. Later, E. L. Doherty, who had meanwhile acquired the entire ownership of the system under authority of Decision No. 7017 of January 9, 1920, filed written report on December 28, 1920, to the effect that after operating for over a year under the rates fixed by the Commission and under the limitation of water supply already referred to, he found it impossible to continue without a considerable deficit; that he, therefore, secured the use of a well in Larkspur; that he had caused the well water to be analyzed by the State Board of Health, which had reported favorably. He, therefore, asked a modification of the original order which would permit him to supply water from said well, and also to make special rates to consumers of large amounts of water for irrigation purposes.

Meanwhile, a number of informal complaints concerning service from this system having been received, the Commission, by its order of January 19, 1921, reopened the entire matter for further investigation and hearing.

Further public hearings in both matters were held by Commissioner Brundige, and later by Examiner Westover, of which all consumers were notified. Both matters were submitted and are now ready for decision. At the hearing two reports of the State Board of Health were submitted in evidence, to the effect that the water is safe for drinking

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and domestic purposes, and is in no manner injurious or detrimental to health. Several consumers testified, complaining of a metallic taste in the well water under certain conditions, if taken from the pipes, but one or two commented upon the absence of such taste, when taken directly from the well.

Water from Marin Municipal Water District is now purchased by applicant at its regular retail rates, and distributed through applicant's system, much of it being pumped to higher levels. To maintain high-class service under such conditions would naturally result in increasing rates to a point burdensome to many of applicant's consumers.

Since the hearing, applicant has filed a written report, submitting copy of form letter sent to each consumer, describing the situation and enclosing to each two forms of reply—one in favor of allowing the use of well water, with the understanding that it would be discontinued if not satisfactory, and expressing opposition to a raise in rates; the other expressing opposition to a raise in rates sufficient to provide Marin water only. Of 23 replies submitted, 18 favor a trial of the well water, 4 are against it, and 1 favors sale of the system to the Marin Municipal Water District and operation by it. While these expressions were not placed in evidence and while, unfortunately, the form letter and form replies refer to one alternative as the use of Marin water only, we feel that the expressions of the consumers fairly show a desire to try the well water on which the State Board of Health has reported favorably rather than pay an increased rate and receive part of the supply from the Marin Municipal Water District.

At the hearing no evidence was presented concerning an increase in rates, except a tentative rate based upon continuing the use of the Marin water and excluding the use of water from the well. Under the circumstances, we have not given consideration to a proposed modification in the schedule submitted after the hearing, which would result in increasing the rate for small consumption, while reducing the rate for large consumption.

SUPPLEMENTAL ORDER.

A public hearing having been held in the above entitled case and application, pursuant to the Commission's order of January 19, 1921, instituting further investigation, the Commission being now fully advised in the premises, and the matter being submitted and ready for decision;

It is hereby ordered, that the order contained in Decision No. 6577 of August 16, 1919, be and it is hereby amended by modifying the fifth paragraph of said order so that it shall read as follows:

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"*It is hereby further ordered,* that until the further order of the Commission, the water hereafter served through said system be limited to that obtained from the so-called Bradbury well in Block 4, Subdivision No. 1, Baltimore Park, Larkspur, Marin County; from the springs of applicants; or from Marin Municipal Water District."

In all other particulars, including the rate schedule set forth therein, said order of August 16, 1919, shall remain in full force and effect.

Dated at San Francisco, California, this twelfth day of April, 1921.

DECISION No. 8852.

BLYTHE CHAMBER OF COMMERCE, PALO VERDE VALLEY FARMERS ALLIANCE, PALO VERDE JOINT LEVEE DISTRICT OF RIVERSIDE AND IMPERIAL COUNTIES, CALIFORNIA, AND PALO VERDE COTTON ASSOCIATION

vs.

CALIFORNIA SOUTHERN RAILROAD COMPANY, A CORPORATION, AND ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, A CORPORATION.

Case No. 1512.
Decided April 12, 1921.

RAILROAD RATES—OFFICERS' SALARIES—EXCESSIVE AMOUNTS PAID AS.—General officers' salaries of $34,500 per year for a railroad having but fifty miles of track and less than fifty employees is held to be excessive and unreasonable, and the sum of $12,000 only is included for this item in computing operating expenses.

RAILROAD RATES—COMPARISONS—VALUE OF.—While a comparison of rates is always of assistance to this and other commissions in arriving at a conclusion in rate proceedings of this character, they cannot be accepted as controlling, for the opposing parties will, as a general practice, select comparisons favorable to the results they desire to obtain.

TARIFFS—CONSTRUCTION OF—COMBINATION OF LOCAL RATES.—Defendants' tariff to and from points in the Palo Verde Valley, which is built up of the combination of local rates, is held to be unjust, for, while ordinarily the rate per ton mile decreases as distance increases, such result is not obtained when rates are constructed on a combination of locals.

THROUGH ROUTE—JOINT RATES—POWER TO ESTABLISH.—Section 33 of the Public Utilities Act authorizes the Railroad Commission to establish through route and joint rates, and though it is the duty of the carriers to voluntarily accord a reasonable service, when it is shown that two carriers have not cooperated to the fullest extent and have failed to protect shippers, it is the duty of the Commission to prescribe the volume of joint rates and the manner in which the through service shall be maintained.

REPARATION—CLAIMS FOR IN GENERAL RATE PROCEEDINGS.—The Commission holds that in a general readjustment of all rates reparation cannot be granted without creating discrimination, and as there is no basis for an award of reparation in the present proceeding, the same is denied. Revised schedules of rates established containing decreases of approximately 25 per cent, such schedules to be filed and become effective within thirty days.

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I. B. Stewart, F. B. Gleason and *A. B. Short, Jr.*, for Blythe Chamber of Commerce.

F. P. Gregson, for Associated Jobbers of Los Angeles.

Ward Chapman, for California Southern Railroad Company.

G. H. Baker, for Atchison, Topeka and Santa Fe Railway Company.

LOVELAND, *Commissioner*.

OPINION.

The complainants in this proceeding are civic and industrial organizations located at points within the Palo Verde Valley who allege by complaint, filed November 26, 1920, that the class and commodity freight rates and the passenger fares of defendants between all points in the Palo Verde Valley located upon the rails of the California Southern Railroad Company to Los Angeles and the intermediate points on the rails of the Atchison, Topeka and Santa Fe Railway Company, hereinafter referred to as the Santa Fe, and all of the local freight rates and passenger fares of the California Southern Railroad Company, are excessive, unreasonable and unjust.

The Associated Jobbers of Los Angeles intervened on behalf of the jobbing houses located at Los Angeles.

The line of the California Southern Railroad is standard gauge, extending from Rice, a point on the Phoenix branch of the Santa Fe, to Ripley station, a distance of approximately 50 miles. The first 35 miles are over a desert, producing no tonnage, and therefore its local rates are of importance only to the valley shippers in connection with traffic moving through Rice to Santa Fe points, particularly to and from Los Angeles. The distance via the Santa Fe from Los Angeles to Rice is 290 miles, making a combined mileage of 340. The California Southern operates a mixed train daily, except Sunday, between Rice and Blythe. This train consists of one combination baggage and express car, one passenger coach, a Pullman, and such freight cars as are necessary to handle the traffic. In addition, the train is required to carry a tank water car, there being no water at any intermediate point, and the locomotive tender does not carry sufficient water to make the round trip.

The California Southern commenced operations between Rice and Blythe in 1916 and extended the line from Blythe to Ripley in 1920. Prior to the construction of the railroad there was but little development in the valley and such products as were moved out were either teamed over the desert, a distance of 65 miles, to the Southern Pacific Company, or a distance of 45 miles to Blythe Junction, on the Santa Fe. The average cost for this team haul was from $15 to $20 per ton.

Prior to the advent of the California Southern, in 1916, about 1200 acres were under cultivation. This was increased to 5000 acres in 1917; to 17,000 acres in 1918; to 27,000 acres in 1919 and to about 35,000 acres in 1920. The valley contains approximately 90,000 acres to be brought under cultivation.

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During the year 1920, 669 carloads of freight were moved out of the valley; of this, 283 carloads were of cotton seed and 304 carloads of cotton, leaving 82 cars distributed among the other commodities, of which 34 consisted of livestock and 12 of gypsum. It will, therefore, be seen that the valley acreage in the past has been devoted almost entirely to the production of cotton. The tonnage was moved in cars furnished by the Santa Fe, as the California Southern has no freight equipment of its own.

The total freight moved, inbound and outbound, during the year 1920 was 40,880 tons. The principal tonnage was as follows: Cotton seed 6890, cotton 3591, stone and sand 9475, lumber 2826, lumber products 1392, oil 3383, machinery 2095, a total of 29,652 tons, or approximately 72 per cent of the entire freight handled. Commodities, such as stone, sand, lumber, oil and machinery, were used to a great extent in building the line between Blythe and Ripley, and by the settlers in the construction of their homes and other buildings. It is claimed that very little of this class of tonnage will move into the valley during the year 1921. The California Southern estimates that the total freight traffic for the year 1921 will not be in excess of 25,335 tons and the total freight revenue is estimated at $128,842.52, as compared with a revenue of $220,596.09 secured in the year 1920.

The following comparative statement gives the operating revenues and operating expenses, actual for the first six years, and estimated for 1921. This is taken from defendant's Exhibit No. 8:

	1916	1917	1918	1919	1920	1921
Total operating revenue	$44,267 23	$107,910 59	$136,809 61	$198,897 11	$276,894 25	$177,887 50
Total operating expenses	21,905 49	50,984 28	83,879 75	146,709 04	202,954 91	199,310 00
Gross income	22,361 74	56,956 31	52,929 86	52,188 07	73,939 34	—21,422 50
Total deductions from gross income	5,892 14	41,111 75	45,127 41	47,955 75	62,197 50	81,798 84
Net operating income	16,469 60	15,844 56	7,802 45	4,232 32	11,741 84	—103,221 34
Grand total	21,039 75	15,844 56	8,005 16	5,125 33	11,754 84	—103,221 34

These financial reports have been checked by the Commission's accountants, found to be correct, and in accordance with the rules. The physical conditions of the road were examined by our engineers, and the reports of the two departments are filed as exhibits in this proceeding. It will not be necessary to enter into any detailed analysis, other than to mention that the road has been well maintained and that owing to the rapid deterioration of the ties, due to poor materials used and the heat conditions in the valley, it will be necessary during the next four years to renew nearly all of them at a large expense.

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The railroad operating expenses for 1920, as shown by the annual report, totaled $202,954.91. Our engineering department reduced this amount to $169,168.80, or by $43,786.11, making the net income $55,540.95 instead of $11,754.84. This result was arrived at by a readjustment of the amount claimed for depreciation, reducing the charge from $42,397.11 to $21,361, or by $21,036.11, and allowing but $12,000 for general officers' salaries instead of $34,750, a reduction of $22,750, making a total decrease in these two items, as stated above, of $43,786.11. The Commission believes that the revised figures are fair and sufficient to meet all the requirements of a road of this character. The general officers' salaries of $34,500 for a railroad having but fifty miles of track and less that fifty employees is certainly excessive and unreasonable. Those salaries have not all been paid in cash, much of the amount remaining as a credit on the books; nevertheless they cannot be included in the operating expenses.

During the construction period the California Southern purchased two second-hand locomotives; one of them has deteriorated to the point where it is entirely worthless and can only be sold for junk. The other locomotive, while in condition to be used for emergency purposes, cannot be employed in the regular train service. Trains are now being handled with a rented locomotive secured from the Santa Fe at a charge of $30 per day, or $10,950 per annum. This annual rental represents a 6 per cent return on $180,000; an illustration of the heavy expense which would not be incurred if the company were in a position to purchase proper motive power. The same condition exists in connection with the freight and passenger equipment; this company owning no equipment of its own must depend upon cars received from the Santa Fe. At the present time the coach in the service is rented at $8 per day, which with the charge for the baggage car, together with the mileage allowance to the Pullman company, brings the daily passenger car rental expense to about $10, and all freight cars are secured at the regular per diem charge. It will thus be seen that this company is under a severe handicap in the rental of equipment and motive power, the greater part of which rental is paid to the Santa Fe, the connecting carrier.

The California Southern is, apparently, a very valuable feeder to the main line of the Santa Fe, and while no actual figures were introduced giving the revenue secured by the Santa Fe from the passenger and freight business originating in the Palo Verde Valley, it was estimated that this freight and passenger traffic gave to the Santa Fe a gross revenue of $650,000 per annum; this amount, however, may be underestimated. There was testimony to the effect that the Santa Fe supplied much of the material used in the construction of the line, par-

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ticularly the rails, and that a considerable part of the California Southern bond issue, amounting to $475,000, is pledged to the Santa Fe for payment of these materials.

The Santa Fe, which may well be considered the principal in this proceeding, having the haul of 290 miles against the California Southern haul of 42 miles, presented no exhibits, and the testimony of its one witness was mainly devoted to a discussion of the exhibits filed by the intervener, the Associated Jobbers of Los Angeles. This would indicate that it was not seriously opposing or objecting to an adjustment of the Palo Verde Valley-Los Angeles freight rates.

Palo Verde Valley is somewhat similar in character to the Imperial Valley, located on the Southern Pacific in the same general territory, having very much the same climate, soil and irrigation systems. The developments of the Palo Verde Valley were far more rapid than in the Imperial Valley, no doubt due to the excessive demands and the high price of cotton during the world war. Since this abnormal condition is passing away, the cotton production in the future will not be as great as during the years 1919-20, and efforts are now being made by the railroad management and other interested parties to establish new industries, such as beet factories, cotton gins and oil mills. It is expected the cotton acreage will be reduced by 50 per cent in 1921 and that the farmers will commence the planting of grape vines, from which the railroads will receive but little tonnage during the next two or three years.

Some testimony was introduced dealing with the growing of livestock, but its preponderance was to the effect that because of the limited area of the ranges the local livestock industries would not reach large proportions. It is claimed, however, that great acreages would be devoted to the growing of alfalfa and certain grains used in the fattening of cattle if proper freight rates were established permitting feeding in transit of cattle at points in the Palo Verde Valley the same as is now done in the Imperial Valley. However, cattle which would be fed in the Palo Verde Valley would come from points outside the state—Arizona and Nevada—and, therefore, the question of the feeding in transit rates must necessarily come before the Interstate Commerce Commission for final adjudication, and will not be dealt with in this proceeding.

The interveners, the Associated Jobbers of Los Angeles, introduced a number of exhibits showing, by comparison, that the rates from points on the California Southern to Los Angeles were very much higher than the rates assessed from other points to Los Angeles involving equal mileage. Similar exhibits were introduced by the California Southern to demonstrate that the rates now in effect are not excessive when com-

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pared with the selected points shown by their exhibits. While a comparison of rates is always of assistance to this and other commissions in arriving at a conclusion in proceedings of this character, they cannot be accepted as controlling, for the opposing parties will, as a general practice, select comparisons favorable to the results they desire to obtain.

With the exception of a limited number of commodity rates published in Pacific Freight Tariff Bureau Joint Freight Tariff No. 147–I, C.R.C. No. 231, rates to and from points in the Palo Verde Valley are built up of the combination of local rates based on the junction point at Rice. This method of computing the rates is not just, for while ordinarily the rate per ton mile decreases as distance increases, such result is not obtained when rates are constructed on a combination of locals. Here the rate per ton-mile decreases to the junction point and at that point commences to increase instead of being extended on a nominal grade.

Only a few joint freight rates are published, these appearing in Pacific Freight Tariff Bureau No. 147–I, C.R.C. No. 231, and consist of rates on fluorspar, lumber, gypsum, hay, pebbles and wood. As an illustration of the joint rates voluntarily established, would call attention to Item 110 of the Bureau Tariff applying on fuel wood from Blythe to Los Angeles of 27½ cents per 100 pounds for a distance of 332 miles, and the rate of 35 cents to San Diego, a distance of 415 miles. The combination of local rates on this commodity to both Los Angeles and San Diego is 49½ cents, made up of the Class E rate of 22 cents, Blythe to Rice, and the blanketed commodity rate of 27½ cents, Rice to both Los Angeles and San Diego; the joint rates voluntarily established are, therefore, 55½ per cent of the locals to Los Angeles and 71 per cent of the locals to San Diego. The joint rates on hay, San Diego and San Francisco to Rice, are approximately 70 per cent, and on lumber approximately 74 per cent of the combination of locals. These rates indicate some inclination to meet the situation.

Section 33 of the Public Utilities Act reads:

> Whenever the Commission, after a hearing had upon its own motion or upon complaint, shall find that the rates, fares or charges in force over two or more common carriers, between any two points in this state, are unjust, unreasonable or excessive, or that no satisfactory through route or joint rate, fare or charge exists between such points, and that the public convenience and necessity demand the establishment of a through route and joint rate, fare or charge between such points, the Commission may order such common carriers to establish such through route and may establish and fix a joint rate, fare or charge which will be fair, just and reasonable and sufficient, to be followed, charged, enforced, demanded and collected in the future, and the terms and conditions under which such through route shall be operated.

Under this provision of the act carriers are required to unite and to serve the routes they have established. The full burden of this duty is

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upon the carriers in the first instance, but if after formal hearings and investigation it be found they have failed to protect the shippers from excessive rates or discriminatory practices, this Commission must prescribe the volume of the joint rates and the manner in which the through service shall be maintained. In this situation I am of the opinion and find that these defendants have not cooperated to the fullest extent and that they have to that extent failed in their duty to the public.

Since the California Southern commenced operations in August, 1916, there have been two increases in the freight rates, the first on June 25, 1918, by reason of General Order No. 28 of the Director-General of Railroads, the second on August 26, 1920, under the operations of Transportation Act, 1920. Without reproducing the complete schedules, it is sufficient to state that the two increases amounted to 56 per cent, the first class rate between Rice and Blythe being advanced from 52 to 81½ cents and the fourth class from 35 to 55 cents; between Blythe and Los Angeles the first class rate was increased from $1.77 to $2.77 and the fourth class from $1.12 to $1.75½, with corresponding increases in all other rates.

The local class rates of the California Southern, when first published were, under the then existing conditions, excessive for a railroad dependent upon a farming community for its tonnage and revenue, and were much higher than any schedule of class rates established by this Commission for a similar distance over a railroad moving the same kind of traffic. Without doubt, had it not been for the World War readjustments would have been imperative almost at the beginning, either by the carrier or by this Commission; as a matter of fact, formal proceedings were commenced in 1918 and subsequently dismissed for lack of jurisdiction, due to the carriers having been taken over by the federal government. The increases made by reason of the war have greatly aggravated the situation.

On August 17, 1920, this Commission, in Application No. 5728, by Decision No. 7983, authorized carriers within the State of California, including the defendants in this proceeding, to increase all passenger and freight rates to meet the increases authorized by the Interstate Commerce Commission by its Ex Parte 74, under the provisions of Transportation Act, 1920 (Esch-Cummins Act).

In the closing paragraph of our decision the following language was employed:

> This proceeding will be kept open for the purpose of considering adjustments of rates and all appropriate matters which may properly be brought before the Commission.
>
> Adjustments will be necessary and carriers will be expected to deal promptly and effectively therewith, to the end that such readjustments may be made in as many instances as practicable without forcing an appeal to this Commission.

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The defendants in this proceeding should have responded to the appeals of the shippers and arranged a readjustment of the rates, and it is to be regretted that they did not voluntarily accord relief, the necessity for which has recently been made very apparent, without waiting for formal action before this Commission. This proceeding has an importance beyond the immediate situation and it must be apparent to all interested parties that neither the defendant railroads nor the Palo Verde Valley can develop or even hold its present level under the unreasonable and excessive rates now in effect; therefore, the future must be taken into account in dealing with the adjustment.

I am of the opinion and find as a fact that all of the freight class rates and practically all of the joint and local commodity rates are excessive and unreasonable and should be reduced as set forth in Schedules Nos. 1, 2 and 3 attached to and made a part hereof, which rates are found to be just and reasonable under the conditions now existing. The testimony as to the passenger fares was very limited, but a study of the situation and the fares now in effect do not justify any readjustment at this time.

Reparation was sought by the complaint, but no testimony in support of the same was offered. This Commission has held that in a general readjustment of all rates reparation cannot be granted without creating discrimination and as there is here no basis for an award, the same is denied.

The rates set forth in the order do not cover every specific point or commodity and carriers will be expected to publish such additional local or joint rates not inconsistent with this opinion and order, and as may be necessary to meet the situation.

The following tabulations of the Rice-Ripley and the Los Angeles-Ripley class rates set forth the present class rates, those ordered into effect and the reduction created in these rates by the adjustment:

BETWEEN RICE, CAL., AND RIPLEY, CAL.

	1	2	3	4	5	A	B	C	D	E
Present	81½	70½	64½	55	50	50	36½	30	25	22
Ordered in	58	52	46	41	38	38	26	23	20	17
Decrease	23½	18½	18½	14	12	12	10½	7	5	5

BETWEEN LOS ANGELES, CAL., AND RIPLEY, CAL.

Present	2.77	2.45½	2.15½	1.75	1.49	1.49	1.08	87½	75	61½
Ordered in	2.05	1.75	1.52	1.28	1.18	1.18	.82	61½	51	41
Decrease	72	70½	63½	.47	.31	.31	.26	26	24	20½

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ORDER.

The Blythe Chamber of Commerce, Palo Verde Valley Farmers Alliance, Palo Verde Joint Levee District of Riverside and Imperial Counties, and Palo Verde Cotton Association, having filed complaint against the California Southern Railroad Company and the Atchison, Topeka and Santa Fe Railway Company, and the defendants having answered such complaint, a hearing having been held, and being fully apprised in the premises, the Railroad Commission hereby finds as a fact that the local passenger fares of the California Southern Railroad Company and the through passenger fares in connection with the Atchison, Topeka and Santa Fe Railway Company, have not been found to be excessive or unreasonable. This part of the complaint is dismissed. That all of the freight class rates and practically all of the joint and local commodity rates are excessive, and that all of the class and commodity rates set forth in Schedules 1, 2 and 3, attached hereto and made a part hereof, are, under the existing conditions, just and reasonable rates to be charged by the California Southern Railroad Company and the Atchison, Topeka and Santa Fe Railway Company according as they participate in the traffic. Basing its order on the above findings of fact and the further findings of fact in the opinion hereof;

It is hereby ordered, that the schedules of class and commodity rates attached hereto and marked respectively 1, 2 and 3, are hereby approved and established as just and reasonable rates to be charged by the California Southern Railroad Company, and the Atchison, Topeka and Santa Fe Railway Company jointly moving between the points set forth in the said Schedules 1, 2 and 3 and that said rates shall be published in tariffs to become effective within thirty (30) days from the date hereof.

It is hereby further ordered, that the California Southern Railroad Company and the Atchison, Topeka and Santa Fe Railway Company agree on a basis of division of the joint rates herein found to be reasonable. If such an agreement cannot be reached this Commission will, upon application, proceed to establish the divisions of joint rates as provided by law.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of April, 1921.

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Schedule No. 1.

Local Class Rates on the California Southern Railroad Company.

Between	and	1	2	3	4	5	A	B	C	D	E
Rice	Cox Brown's Spur	28	25	23	20	18	18	13	11	10	9
	Floyd's Crossing	40	36	32	28	26	26	18	16	14	12
	Solano	44	40	35	31	29	29	20	18	15	13
	Fertilla Blythe Ripley	58	52	46	41	38	38	26	23	20	17

Schedule No. 2.

Joint Class Rates Between Los Angeles on the Atchison, Topeka and Santa Fe and points Specified on the California Southern Railroad Company.

Between	and	1	2	3	4	5	A	B	C	D	E
Los Angeles	Blythe Ripley	2.05	1.75	1.52	1.28	1.18	1.18	.82	61½	51	41

Schedule No. 3.

Joint Commodity Rates Between Points on the California Southern Railroad Company and Points on the Atchison, Topeka and Santa Fe Railway (Coast Lines.)

Commodity in carloads	Between	and	Rate in cents per 100 lbs.	Minimum carload rate
Cotton and cotton linters	Blythe Ripley	Los Angeles	1.00	16,000 lbs.
Cotton seed	Blythe Ripley	Los Angeles	.50	36,000 lbs.
Flour	Los Angeles	Blythe Ripley	.80	30,000 lbs.
	Colton	Blythe Ripley	.75	
Cereals and cereal products as described in Item 180, Pacific F. T. B. Current Exception Sheet	Los Angeles	Blythe Ripley	.60	As per current exception sheet.
	Colton	Blythe Ripley	.55	
Hay	Los Angeles	Blythe Ripley	.50	As per current exception sheet.
Ice	Los Angeles	Blythe Ripley	.50	30,000 lbs.
Lime, cement, plaster	Los Angeles	Blythe Ripley	.50	30,000 lbs. 60,000 lbs. 50,000 lbs.
Forest products as described in Pacific F. T. B. Current Exception Sheet	San Diego Redondo	Blythe Ripley	.65	30,000 lbs.
Oil, viz petroleum, crude, gas, road and fuel	El Segundo	Blythe Ripley	.40	30,000 lbs.
Live Stock—			Rates in dollars and cents per 36-foot single deck car.	
Horses, mules, burrows, donkeys, jacks	Blythe Ripley	Los Angeles	$143.50	
Cattle	Blythe Ripley	Los Angeles	136.70	
Sheep, hogs, goats	Blythe Ripley	Los Angeles	102.50	

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DECISION No. 8853.

P. S. McNUTT, R. V. GRIFFIN, JAMES KANE, MARY DODGE AND LUDWIG GOSSMAN

vs.

SYCAMORE CANYON WATER COMPANY, A CORPORATION, AND J. C. ANDERSON

Case. No. 1495.

R. V. GRIFFIN ET AL.

vs.

SYCAMORE CANYON WATER COMPANY.

Case No. 1356.
Decided April 14, 1921.

TRANSFER—UTILITY PROPERTY—AUTHORIZATION FOR NECESSARY.—The transfer by public utility of certain of its water properties used and useful in its business as a water utility is void and of no effect when authorization for such transfer has not been secured as provided for by section 51 of the Public Utilities Act. Defendant directed to restore, within twenty days, the flow to its reservoir from water tunnels purported to be transferred and to otherwise improve its water service.

R. V. Griffin, in propria persona.

Owen C. Emery, for Complainants.

Stephens and Stephens, by *Albert M. Stephens*, for Mary Dodge, a Complainant.

Olin Wellborn and *Stephen Montelcone*, by *Olin Wellborn, Jr.*, for Defendants.

BY THE COMMISSION.

OPINION AND SUPPLEMENTAL OPINION.

The above entitled proceedings involve the service rendered, the adequacy of the water supply, and the practices of the Sycamore Canyon Water Company, owner and operator of a public utility water system which furnishes water to certain residents of Sycamore Canyon in the vicinity of Glendale, Los Angeles County.

This Commission rendered its decision (No. 6872, Volume 17, page 521, Opinions and Orders of the California Railroad Commission) in Case No. 1356, as entitled above, on November 28, 1919. This decision was rendered after a hearing had been held and as a result of the evidence submitted at that time the Sycamore Canyon Water Company, hereinafter referred to as defendant, was directed to proceed to make certain improvements of its system and to secure an additional water supply. Reference is hereby made to the above mentioned decision for a detailed discussion of the complaint and answer thereto and other facts obtaining.

It is sufficient for the present order and decision to recite that the difficulty between this utility and its consumers, many of whom are stockholders in the utility, arose as a consequence of the failure of the

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consumers to receive an adequate water supply from defendant's system. as a remedial measure, the utility proposed that it be allowed to sell to one J. C. Anderson all its rights, title and interest in and to the waters of Sycamore Canyon and the right to develop same, for the sum of six hundred dollars ($600), which sum it proposed then to utilize in installing a pipe line connecting with a reservoir of the municipal water system of the city of Glendale.

The evidence taken in the above mentioned proceeding disclosed the fact that this utility was rendering inadequate service and delivering an insufficient quantity of water to its consumers. This Commission in its Decision No. 6872, *supra*, directed the Sycamore Canyon Water Company in part as follows:

> *It is hereby ordered*, that Sycamore Canyon Water Company proceed immediately to avail itself of additional water supply, this supply to be obtained from the city of Glendale, as outlined in the complaint and the answer thereto, or in such other manner as will enable the utility to provide at all times an adequate and sanitary supply of water for the needs of its consumers.

After a prolonged construction period had elapsed the utility completed the necessary facilities, and water was delivered to it from the city of Glendale water system. It appears, however, that subsequent to the receipt of this additional water supply from the city of Glendale, defendant transferred the right to the water theretofore used by it to Mr. J. C. Anderson, who is the principal stockholder in and director of defendant company. By so doing the consumers were deprived of the water supply theretofore enjoyed by them and expressed much dissatisfaction with the service rendered. Subsequently the consumers filed formal complaint against defendant and J. C. Anderson. This complaint is Case No. 1495, as entitled above.

The complaint in this case states in effect that complainants P. S. McNutt, R. V. Griffin, James Kane, Ludwig Gossman and Mary Dodge are property owners and stockholders in and consumers of the defendant company; that defendant company is diverting all water belonging to it and originating in lot 88 of Hodgkins' subdivision of a part of Rancho San Rafael, to the lands of defendant J. C. Anderson; that this water supply, owned by the company, has been continuously used by the complainants and their predecessors for 33 years, and that such ownership includes all water, water rights and rights of development of same on said lot 88 of Hodgkins' subdivision, the ownership of which lot is claimed by said J. C. Anderson; that this supply was sufficient for the needs of consumers up to the year 1919, but that consumers have received an insufficient service in the years 1919 and 1920 during certain periods; that defendant has not properly supervised the physical and financial requirements of the utility; that the defendant company has sold its water and water rights without authorization

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from the Railroad Commission or notice to stockholders; that said company made such sale despite the order of the Railroad Commission in Case No. 1356 (Decision No. 6872, *supra*) and otherwise failed to comply with said order; that though the defendant company did acquire a small water supply from the city of Glendale, consumers have, because of the diversion of the original supply, a less amount of water than they enjoyed before such diversion.

Subsequent to the filing of Case No. 1495, *supra*, the Commission, after a review of the facts obtaining, deemed it advisable to reopen Case No. 1356, *supra*, and set it for further hearing, consolidating it for hearing and decision with Case No. 1495, in order that the entire matter might be before the Commission. A public hearing in these matters was held in Los Angeles before Examiner Satterwhite, of which all interested parties were notified and given an opportunity to be heard.

It was admitted by defendant company that it did, on December 6, 1919, sell and release all right, title and interest it held "to all waters which are now or may or shall hereafter be developed" in or by means of those three certain tunnels heretofore owned by it on lot 88, *supra*, "together with said tunnels and all pipes and appliances used in connection therewith, and all fixtures and appurtenances thereto." This sale is evidenced by an indenture of date December 6, 1919, entered and marked "Complainant's Exhibit 5" in Case No. 1495.

Attention is directed to the fact that this Commission in its Decision No. 6872 stated concerning the transfer of these water rights and appurtenant facilities, as follows:

> The method proposed in the answer to the complaint and by counsel at the hearing in regard to financing the proposed additional supply to be obtained from the city of Glendale, namely, disposing of the company's water rights for the sum of $600, elicited vigorous protest at the hearing, and it appears that it would be poor policy for the Commission to authorize such a measure.

We further wish to direct attention to the fact that this utility did not secure the authority of this Commission to transfer this operative property as provided in section 51 of the Public Utilities Act. Such sale is therefore manifestly void and of no effect.

The evidence clearly shows that despite the fact that defendant has secured an additional water supply from the city of Glendale, the transfer of the supply which it theretofore obtained from the so-called water tunnels to Mr. J. C. Anderson and the use of the water from these tunnels upon the lands of Mr. Anderson, so depleted the supply available for use by defendant's consumers, including the complainants herein, that they did not receive adequate service during the summer of 1920, and further, that the quality of the water served was not satisfactory.

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At the hearing it was claimed by defendant that Mr. J. C. Anderson held himself ready at any time to divert the water flowing from the tunnels into the company's reservoir by way of the pipe line, thus restoring for the time being the supply as it existed in the past. However, this did not operate in such manner as to provide the consumers with adequate service during the past summer, and different methods should be adopted to remedy existing conditions.

ORDER AND SUPPLEMENTAL ORDER.

P. S. McNutt, R. V. Griffin, James Kane, Mary Dodge and Ludwig Gossman having complained against the service rendered and the practices of Sycamore Canyon Water Company, a corporation, and J. C. Anderson as codefendants, and the Commission having reopened Case No. 1356 as entitled above, and public hearings having been held and the matters having been submitted:

It is hereby found as a fact, as follows:

(1) That the purported transfer by Sycamore Canyon Water Company to one J. C. Anderson of all its right, title and interest in and to all waters which are now or may be developed in or by means of those three certain tunnels heretofore owned and operated by it, located upon lot 88 of Hodgkins' subdivision of a portion of Rancho San Rafael, which waters and water rights are admitted by defendant company to be those alleged in the complaint herein, together with all pipes, appliances, fixtures and appurtenances used in connection with said tunnels, is an attempt to transfer operative property of a utility to the detriment of its consumers;

(2) That at the time of this alleged sale, and for many years prior thereto, said tunnels and pipes were useful and operative parts of the public utility property of said Sycamore Canyon Water Company;

(3) That said J. C. Anderson has been given control and possession of the tunnels and pipe line above and has diverted the flow of water from and through the same away from the company's reservoir and deprived the consumers of this water supply;

(4) That authorization for such transfer or sale has not been given by the Railroad Commission of the State of California, and such sale is therefore void;

(5) That satisfactory water service has not been rendered at all times by the Sycamore Canyon Water Company since the control of its original supply from the above tunnels was relinquished by said company.

And basing its order upon the foregoing findings of fact, and upon the further statements of fact contained in the opinion which precedes this order;

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It is hereby ordered by the Railroad Commission of the State of California that the defendants, Sycamore Canyon Water Company, J. C. Anderson as an officer, agent and servant of said Sycamore Canyon Water Company, and its officers, agents and servants, be and they and each of them are hereby directed to restore, within twenty (20) days from the date of this order, the flow from the water tunnels aforesaid to the company's reservoir, and it is further directed that the pipe line between said tunnels and said reservoir be restored to its full carrying capacity throughout its length.

It is hereby further ordered, that Sycamore Canyon Water Company provide adequate service at all times to its consumers, making use to its full capacity of the gravity supply from the water tunnels in Sycamore Canyon hereinbefore described and owned by said company, supplementing the same by water purchased from the city of Glendale through the facilities now installed which said Sycamore Canyon Water Company shall continue in operation, or from such other source or sources of supply as it may have, acquire or make available.

It is hereby further ordered, that Sycamore Canyon Water Company file a certified statement with this Commission within five (5) days of the date when the service from the tunnel supply, as designated hereinbefore, to its reservoir has been restored, as directed herein.

It is hereby further ordered, that Decision No. 6872, dated November 28, 1919, in so far as it conflicts with the decision herein, be rescinded and set aside, and that in all other respects it remain in full force and effect.

It is hereby further ordered, that except as provided herein and in Decision No. 6872, *supra,* the complaints be and they are hereby dismissed.

Dated at San Francisco, California, this fourteenth day of April, 1921.

DECISION No. 8854.

IN THE MATTER OF THE APPLICATION OF LOS ALTOS WATER COMPANY FOR AUTHORITY TO INCREASE ITS RATES FOR WATER.

Application No. 6179.
Decided April 14, 1921.

Guy V. Shoup, for Applicant.

BY THE COMMISSION.

OPINION.

Los Altos Water Company, applicant herein, is engaged in the business of supplying water for domestic and irrigation purposes to con-

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sumers in and adjacent to the unincorporated town of Los Altos, Santa Clara County.

In this proceeding applicant asks authority to increase its rates, alleging in effect that the revenues received from the sale of water under the present rates do not produce a sufficient sum to meet maintenance and operating charges, replacements and a fair return on the investment.

A public hearing was held in this proceeding before Examiner Satterwhite at Los Altos, of which applicant's consumers were notified and given an opportunity to appear and be heard.

The rates at present in effect for service by Los Altos Water Company were established by this Commission in Decision No. 1379, issued March 28, 1914, in Application No. 976, *In the Matter of the Application of Los Altos Water Company for Authority to Increase its Rates for Water.* (Volume 4, page 515, Opinions and Orders of the Railroad Commission of the State of California.)

Reference is made to the above mentioned proceeding for the early history of the company, the rate schedule under which it is operating and such other matters as may be pertinent to the findings herein.

Mr. J. G. Hunter, one of the Commission's hydraulic engineers, made a field investigation and submitted a report and appraisal of the Los Altos Water Company's system showing the estimated original cost of used and useful properties to be $40,592. A replacement fund of $531 was allowed, computed by the sinking fund method. The reasonable annual maintenance and operation expenses of the system were estimated by the Commission's engineer to be the sum of $4,450.

Applicant testified that the book cost of the system as of June 30, 1920, was $39,030.89, and that $6,749.13 was expended for one year's operation. An analysis of this sum shows that an item of $1,800 bond interest had been improperly included, and also a charge of $627.93 for general overhauling of a steel tank, which should have been amortized over the period of its probable recurrence, inasmuch as it is not an expenditure which occurs annually. After a consideration of the evidence, including the matters mentioned herein, it appears that Mr. Hunter's estimate of $4,450 is a reasonable allowance for the future annual maintenance and operation of this system.

Following is a summary of the items going to make up the annual charges of this utility:

Return on $40,592 at 8 per cent	$3,247 00
Replacement fund	531 00
Maintenance and operation	4,450 00
Total	$8,228 00

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The revenues for 1919 were $4,641 and for 1920, $6,159. It is therefore apparent that applicant is entitled to an increase of rates.

Attention is directed to the fact, however, that this system was constructed in connection with a land sales project, and the territory has not yet reached a development equal to that for which the system was designed. Under the circumstances, it would be unfair to applicant's present consumers to require them to pay rates sufficient to yield interest upon the entire cost of the system. The rates set out in the following order are designed to return to applicant its operating expenses, a replacement fund, and such amount of interest return as is fair under the circumstances obtaining:

ORDER.

Los Altos Water Company having applied to the Railroad Commission for authority to increase its rates for water, a public hearing having been held and the Commission being fully informed in the matter,

It is hereby found as a fact that the rates heretofore in effect, in so far as they differ from the rates herein established, are unjust and unremunerative, and that the rates and charges herein established are just and reasonable charges;

And basing its order on the foregoing finding of fact, and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Los Altos Water Company be and it is hereby authorized and directed to file with the Railroad Commission of the State of California, within twenty (20) days of the date of this order, the following schedule of rates, said rates to be charged for all water delivered to consumers on and after May 1, 1921, and on that date to supersede any and all rate schedules theretofore in effect:

Readiness-to-serve Charge for Each Meter in Use.

Size meter	Per month
⅝-inch	$0 50
¾-inch	1 00
1 -inch	1 50
1½-inch	2 50
2 -inch	4 50
3 -inch	8 00

For Water Delivered.

Between 0 and 400 cubic feet, at 25 cents per 100 cubic feet.
Between 400 and 10,000 cubic feet, at 20 cents per 100 cubic feet.
Over 10,000 cubic feet, at 16 cents per 100 cubic feet.
NOTE—The above quantity rates are in addition to the readiness-to-serve charge.

Dated at San Francisco, California, this fourteenth day of April, 1921.

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DECISION NO. 8856.

CHARLES W. COUGHRAN ET AL.

vs.

CALIFORNIA-MICHIGAN LAND AND WATER COMPANY.

Case No. 1340.

Decided April 14, 1921.

WATER SERVICE—COOPERATION OF CONSUMERS NECESSARY TO SECURE.—When a public utility holds itself out to serve the public, it is acting as a public servant and assumes certain obligations to render adequate and satisfactory service. To accomplish this result the cooperation of its consumers is necessary and consumers must refrain from any acts which might tend to disrupt service, particularly those acts which might interfere with the delivery of water to their neighbors. Service conditions of defendant having been materially improved, complaint dismissed.

Wilton W. Webster, for Complainants.

R. C. Goodspeed, for Defendant.

BY THE COMMISSION.

OPINION.

This is a proceeding brought by Charles W. Coughran and some fifty-nine other residents of South Santa Anita Tract, a subdivision located near San Gabriel, Los Angeles County, against California-Michigan Land and Water Company, a public utility engaged in the business of supplying this territory with water for domestic and irrigation purposes.

The complaint herein is based upon the alleged inadequate service rendered by said utility. Complainants allege that the amount of water furnished is not sufficient for their ordinary needs; that proper pumps for the development of water are lacking, and that there is a lack of proper supervision in the distribution of water.

The evidence shows that prior to the hearing herein the California-Michigan Land and Water Company was undoubtedly rendering unsatisfactory service to its consumers. As a matter of fact, the manager of the utility made a practical admission to this effect. Furthermore, it appeared that a spirit of antagonism and distrust existed between the management of the utility and its consumers. Since the inception of this proceeding the Commission's engineers have kept in close touch with the service conditions under this system, and have made numerous inspections. As a result of these inspections many improvements in service have been made. Furthermore, the utility has proceeded to increase its supply of water by thoroughly cleaning its wells and the installation of additional pumping facilities.

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This matter has been held in abeyance in order that through investigation and suggestions from time to time the Commission's engineers could secure such action on the part of the company as would better the service rendered, and further, to promote a spirit of harmony between the company officials and the consumers. A recent investigation discloses the fact that there has been a material improvement in the water service rendered to the consumers, and that conditions in general under this system have been bettered.

We wish to urge upon both the complainants and defendants herein that they use their best endeavor to cooperate, and by so doing promote harmonious relations which in the end will result in good to all concerned. When a public utility holds itself out to serve the public, it is acting as a public servant and assumes certain obligations to render adequate and satisfactory service, and to accomplish this result it must promote a harmonious and cooperative spirit among its consumers. On the other hand, the consumers, if they wish to receive satisfactory service and have a healthy, prosperous utility, must do their part and refrain from any acts tending to disrupt such harmonious relations, and particularly those consumers whose acts might interfere with the delivery of water to their neighbors.

The Commission is glad to note in this instance from the report of its engineers that conditions are so much better under this system than at the time the hearing in this proceeding was held, and in view of this fact it appears unnecessary at this time to direct this utility to install new facilities. It is recommended, however, that a check valve be installed in the discharge pipe from certain wells operating by siphon method, which wells are known as wells Nos. 1, 2, 3 and 4. This check valve is to be so placed that no water produced at the other pumping plants can reenter the ground at these wells.

ORDER.

Charles W. Coughran et al. having complained against the service rendered to them by the California-Michigan Land and Water Company, public hearings having been held and the Railroad Commission having had the service conditions which prevail under this system under observation and consideration, and it appearing that certain improvements have been made and that the conditions complained of have been very largely if not totally eliminated, and the Commission being fully apprised in the premises,

It is hereby ordered, that the above entitled complaint be and it is hereby dismissed.

Dated at San Francisco, California, this fourteenth day of April, 1921.

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DECISION No. 8857.

IN THE MATTER OF THE APPLICATION OF PALM VALLEY WATER COMPANY FOR LEAVE TO INSTALL METERS AND TO FIX RATES FOR WATER SERVICE IN THE TOWN OF PALM SPRINGS.

Application No. 5811.
Decided April 14, 1921.

P. F. Stevens, and *C. L. Flack*, for Applicant.

BY THE COMMISSION.

OPINION.

Palm Valley Water Company, applicant in the above entitled proceeding, is a public utility water company located at Palm Springs, Riverside County, California, and engaged in the business of selling and distributing water for domestic and irrigation purposes to consumers in that vicinity.

In this proceeding applicant asks for authority to install meters and that a rate be established for metered service, alleging in effect that the water supply is limited and should be conserved, and that the present schedule of $2 per month, flat rate, is inadequate and does not produce a revenue sufficient to cover operating cost.

A public hearing was held in this matter at Palm Springs before Examiner Satterwhite. All of applicant's consumers were duly notified and given an opportunity to appear and be heard.

Palm Valley is a winter resort and applicant has only some 45 consumers who remain there during the entire year. The summers are very hot, and the nature of the soil is such that very large quantities of water are required for gardens during the summer. The use for domestic purposes is also very large.

Attention is directed to the fact that applicant has not heretofore delivered water upon a measured rate basis, and that therefore there are no data in the records of this utility upon which to base the probable future cost to applicant of this service. Hence, in the establishment of a meter rate where such a rate has not previously existed, it becomes necessary to take into consideration the additional capital expenditures necessary in the installation of meters, the increased operating and maintenance expenses to be incurred in reading and repairing meters, billing, etc., and, on the other hand, any reduction in operating cost that may occur, together with the fact that, as in this case, the reduction in consumption due to the installation of meters will leave available for sale elsewhere a considerable quantity of water, establishing a new source of revenue for the utility. These matters have been carefully considered in connection with the present proceeding.

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Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, submitted a report, giving the estimated original cost of the properties of this utility as approximately $20,000, and a replacement annuity of about $400.

The evidence shows that applicant expended approximately $1,900 in operating its system during 1920. This amount, however, contains some charges which should not have been included. Furthermore, this sum should be reduced in an amount equal to the cost of operating the irrigation system, the rates for which are not before the Commission in this proceeding.

The evidence shows that during recent years there has been a material increase in the number of consumers served and consequent use, brought about by the development of the community. It is reasonable to expect that this territory will continue to develop, and will therefore require an increased water supply from year to year. The present water system was designed to serve a large area and is of sufficient capacity to supply many more than the present number of consumers.

After a careful consideration of these elements the rate schedule set out in the following order has been computed, and it is designed to yield to applicant a fair and reasonable annual income for the service rendered.

It will be noted that applicant in this proceeding has asked specifically for authority to install meters. We are of the opinion that it is applicant's right to install meters. This is true, generally, except where it becomes necessary or advisable that this Commission in order to secure adequate service and an equitable proration of the water supply or distribution of expense shall deem it advisable to direct otherwise. In this proceeding applicant may, if he so desires, proceed to install meters, as this is not an instance, in our opinion, where the Commission should issue a formal order requiring or authorizing it.

ORDER.

Palm Valley Water Company having made application to the Railroad Commission as entitled above, a public hearing having been held and the Commission being fully apprised in the matter,

It is hereby found as a fact that the rate established herein is a just and reasonable rate to be charged for metered service to the consumers of said company;

And basing its order on the foregoing finding of fact and on the other statements of fact contained in the opinion which precedes this order,

It is hereby ordered, that Palm Valley Water Company be and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge the following rates for metered service:

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DOMESTIC USE.

Monthly Meter Rates.

Monthly minimum of 400 cubic feet or less	$1.25
From 400 to 1000 cubic feet, per 100 cubic feet	25
From 1000 to 5000 cubic feet, per 100 cubic feet	20
All in excess of 5000 cubic feet, per 100 cubic feet	15

Dated at San Francisco, California, this fourteenth day of April, 1921.

DECISION NO. 8858.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA NATIONAL BANK OF MODESTO, A NATIONAL BANKING ASSOCIATION, FOR AN ORDER AUTHORIZING THE TRANSFER TO IT OF A CERTAIN FRANCHISE BY F. A. DEISTER.

Application No. 6587.

IN THE MATTER OF THE APPLICATION OF F. A. DEISTER, DOING BUSINESS UNDER THE FICTITIOUS NAME OF WESTERN AUTO STAGE COMPANY, AND W. E. TRAVIS AND J. C. WALLING, FOR THE APPROVAL OF A CERTAIN AGREEMENT.

Application No. 6588.
Decided April 14, 1921.

AUTO STAGE PERMITS—SERVICE, SUSPENSION OF—TRANSFERS.—The Railroad Commission will deny an application to transfer a permit to operate an automobile stage line and will indefinitely suspend such permit when it is shown that the holder thereof has arbitrarily discontinued service without authorization. The Railroad Commission has no jurisdiction to authorize the transfer of public utility property when the owner thereof does not join in the application to transfer.

Cushing and Cushing, by *Erwin E. Richter*, for Applicant in Application No. 6587.
H. A. Encell and *Ernest Walling*, for Applicant in Application No. 6588.
John P. Deuchy, for the Commissioner of Labor.
H. W. Zagoren, for certain wage claimants.

BY THE COMMISSION.

OPINION.

In Application No. 6587, the California National Bank of Modesto petitions the Railroad Commission for an order authorizing the transfer to it of certain operative rights of F. A. Deister, operating under the fictitious name of the Western Auto Stage Company on the ground that said F. A. Deister, had on September 23, 1920, assigned to applicant said operative rights upon the following conditions embraced within the terms of said assignment:

To have and to hold the same for the satisfaction of any debts, claims or obligations due said second party or its assigns from me at this time or any advances made me hereafter. And the said party of the first part does hereby appoint the said party of the second part or its assigns, his true and lawful attorney irrevocable, with power of substitution and revocation, for the use and at the proper costs and charges, to sell and assign said franchise or operative rights to satisfy all demands due said party of the second part or its assigns, in case said action may become necessary to protect and pay said second party for all its right, title and interest in said franchise or operating rights in said order aforesaid.

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The operative rights sought to be transferred are those authorized by this Commission in Decision No. 8117 on Application No. 5757, dated September 16, 1920. The operative rights referred to authorized the conduct of an automotive passenger stage service between Oakland and Fresno. This application No. 6587 is not signed by F. A. Deister, the owner of the operative rights, but is signed only by California National Bank of Modesto.

Application No. 6588 is an application of F. A. Deister, doing business under the fictitious name of Western Auto Stage Company to sell and W. E. Travis and J. C. Walling to purchase, acquire and hereafter operate a certain automobile stage line for the transportation of passengers between Oakland and Fresno. The operative rights herein sought to be transferred are those acquired by the applicant Deister in this Commission's Decision No. 8117 on Application 5757, decided September 16, 1920.

A hearing was held before Examiner Satterwhite on Friday, March 11, 1921, at San Francisco. Said applications were consolidated for the purpose of receiving evidence and decision. The matters were submitted and are now ready for opinion and order.

In the application of the California National Bank of Modesto which is based upon an assignment of operative rights by F. A. Deister, the Commission is of the opinion that said assignment is illegal and void and of no effect under authority of section 5, Chapter 213, Statutes of 1917, which in part reads as follows:

> Any right, privilege, franchise or permit, held, owned or obtained by any transportation company may be sold, *assigned*, leased, transferred or inherited as other property, *only upon authorization by the Railroad Commission.*

Moreover, application No. 6587 did not bear the signature of the owner, said F. A. Deister, of said operative rights which is required by the law of this State. We are therefore of the opinion that this application should be dismissed.

The evidence showed that applicant F. A. Deister had incurred large indebtedness including many labor claims. Travis and Walling, who are applicants in Application No. 6588, testified that if the operative rights involved in this proceeding were transferred to them or cancelled they would voluntarily pay claims against F. A. Deister, not to exceed $13,100.

The matter of the indebtedness of applicant Deister is one over which this Commission has no jurisdiction.

Further testimony indicated that creditors had attached the equipment of Deister and that Deister had been indicted criminally, and had given no service over his route for some time. It appearing that no service has been rendered over the route between Oakland and Fresno by the applicant Deister under his operative rights; and in view of the fact

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that said service has been abandoned, the Commission will dismiss this application and suspend the operative rights of F. A. Deister indefinitely and until further order of the Commission.

ORDER.

Basing its order upon the statements of fact and conclusions contained in the above opinion,

It is hereby ordered, that the application of the California National Bank of Modesto, No. 6587, be, and the same hereby is dismissed.

Basing its order upon the statements of fact and conclusions contained in the above opinion,

It is hereby ordered, that the application of F. A. Deister, doing business under the fictitious name of Western Auto Stage Company, and W. E. Travis and J. C. Walling, No. 6588, be and the same hereby is denied.

It is hereby further ordered, that the operative rights of F. A. Deister, doing business under the fictitious name of Western Auto Stage Company, to operate certain automobile stage lines for the transportation of passengers between Oakland, California, and Fresno, California, be and the same hereby is suspended indefinitely and pending further order of the Railroad Commission.

Dated at San Francisco, California, this fourteenth day of April, 1921.

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DECISION NO. 8862.

IN THE MATTER OF THE APPLICATION OF CONTRA COSTA GAS COMPANY, A CORPORATION, FOR REVISION OF ITS RATES.

Application No. 6328.
Decided April 15, 1921.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas, in this Commission's Decision No. 8755, dated March 15, 1921, Contra Costa Gas Company was authorized to charge and collect certain rates therein set forth for gas service rendered when said company has obtained from this Commission a supplemental order finding that the quality of service rendered has been improved to comply with the standards prescribed by the Railroad Commission of the State of California, and

Whereas, the service conditions have been inspected and reported upon as being satisfactory by the Commission's engineers;

It is hereby ordered, that Contra Costa Gas Company be and the same is authorized to charge and collect for gas service rendered the rates authorized in Decision No. 8755 based on all regular meter readings after April 20, 1921.

It is hereby further ordered, that Contra Costa Gas Company shall within ten days from the date of this order file with the Commission the schedule of rates herein established.

Dated at San Francisco, California, this fifteenth day of April, 1921.

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DECISION NO. 8863.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA GRANTING IT A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE BY IT OF THE RIGHTS AND PRIVILEGES CONFERRED UPON IT UNDER THE FRANCHISE GRANTED IT BY THE CITY COUNCIL OF THE CITY OF NAPA, BY ORDINANCE NO. 607, DECEMBER 27, 1920.

Application No. 6620.
Decided April 16, 1921.

B. F. Rabinovich, for Applicant.
John York, for City of Napa.
BRUNDIGE, *Commissioner*.

OPINION.

The Pacific Telephone and Telegraph Company asks the Railroad Commission to declare that public convenience and necessity require the exercise by applicant of the rights and privileges conferred upon it by Ordinance No. 607 adopted on December 27, 1920, by the city council of the city of Napa.

A copy of the ordinance has been filed in this proceeding and is marked applicant's Exhibit "B." In general, the ordinance granted to the Pacific Telephone and Telegraph Company, its successors and assigns, for a term of twenty-five years, gives applicant the right and privilege to do a general telephone and telegraph business within the city of Napa and to construct, maintain and operate the necessary telephone and telegraph lines and facilities, all subject to the conditions of the ordinance.

Among other things, the ordinance requires applicant, its successors and assigns, to pay from January 1, 1922, and annually during the remaining life of the franchise, to the city of Napa, two per cent of the gross annual receipts arising from the use, operation and possession of the franchise and privileges, including that portion of the long distance business credited to the exchange of the city of Napa. The city of Napa is also to have the use, without charge, of certain specified facilities for police and fire alarm purposes.

Applicant reports that it paid $599 for the franchise and privileges covered by Ordinance No. 607 to the city of Napa, that no other public utility is engaged in the telephone and telegraph business in Napa, and that at present it has 1565 subscribers to its telephone service in Napa.

The city of Napa favors the granting of this application.

I herewith submit the following form of order:

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ORDER.

The Pacific Telephone and Telegraph Company, having asked the Railroad Commission to declare that public convenience and necessity require applicant to exercise the rights and privileges granted to it by the city of Napa under Ordinance No. 607, passed December 27, 1920, a public hearing having been held, and it appearing to the Railroad Commission that public convenience and necessity require the construction, operation and maintenance of the telephone plant and system referred to in said ordinance and that there are no public utilities of a like character at present operating within the territory involved in this proceeding; now, therefore

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by the Pacific Telephone and Telegraph Company of the rights and privileges conferred upon it by Ordinance No. 607, passed on December 27, 1920, by the city council of the city of Napa, provided that neither applicant, its successors and assigns, will ever claim before the Railroad Commission, or any other public body having jurisdiction, a value for said franchise or privileges covered by said ordinance for rate fixing or any other purpose, in excess of $599, the amount actually paid to the city of Napa as a consideration for the granting of said franchise and privileges.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of April, 1921.

DECISION NO. 8864.

IN THE MATTER OF THE APPLICATION OF HOLTON POWER COMPANY, FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF FIFTY THOUSAND DOLLARS PAR VALUE FIRST AND REFUNDING MORTGAGE GOLD BONDS.

Application No. 6708.
Decided April 16, 1921.

Chas. F. Potter and *Henry W. Coil*, by *Charles F. Potter*, for Applicant.
BRUNDIGE, *Commissioner.*

OPINION.

Holton Power Company asks permission to issue and sell $50,000 of its first and refunding mortgage 6 per cent serial gold bonds dated October 1, 1911, and to use the proceeds to reimburse its treasury for money used in paying $50,000 of its first mortgage bonds that matured in equal amounts on January 1, 1920, and January 1, 1921.

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Holton Power Company was organized on October 2, 1903, with an authorized stock issue of $1,500,000 of common stock. Of this amount $950,000 of stock was reported outstanding on December 31, 1920, all of which excepting directors' shares, being held by W. Sherman Fisher, trustee. The record in Application No. 5334, a rate proceeding which was decided on September 16, 1920, by Decision No. 8119, shows that since January 1, 1916, applicant herein has been controlled, through stock ownership, by Nevada-California Electric Corporation and has been under the same general management as the Southern Sierras Power Company through maintaining its separate corporate entity.

The record in this proceeding shows that Holton Power Company on January 29, 1907, executed its first mortgage, securing an unauthorized issue of $500,000 of bonds, and that subsequently, on October 1, 1911, it executed its first and refunding mortgage to secure the payment of $1,000,000 of first and refunding mortgage bonds. The company reports $400,000 of first mortgage bonds and $550,000 of first and refunding mortgage bonds outstanding on December 31, 1920. The first mortgage bonds mature in equal annual installments of $25,000 on January 1, of each of the years 1918 to 1937 inclusive, while the first and refunding mortgage bonds mature annually at the rate of $50,000 a year on October 1, of each of the years 1932 to 1951, both inclusive. Five hundred thousand dollars of first and refunding mortgage bonds have been issued and sold to pay for extensions and betterments, and $500,000 were reserved to refund the first mortgage bonds. Heretofore by Decision No. 6397, dated June 10, 1919 (Volume 16, Opinions and Orders of the Railroad Commission, page 880) the company was authorized to issue $50,000 of first and refunding mortgage bonds to pay indebtedness incurred in securing money to pay the $50,000 of first mortgage bonds that matured January 1, 1918, and January 1, 1919.

Mr. P. R. Ferguson, applicant's auditor, testified that the company has used $50,000 of its current revenues to pay the $50,000 of first mortgage bonds that matured on January 1, 1920, and January 1, 1921. The company now asks that it be permitted to issue and sell $50,000 of its first and refunding mortgage bonds to Hydro-Electric Securities Company at not less than 80 per cent of face value plus accrued interest, the bonds to be issued and sold for the purpose of reimbursing its treasury for moneys expended in the redemption of said $50,000 of first mortgage bonds, and thereafter to be used by applicant in paying current liabilities.

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Applicant reports its assets and liabilities on January 31, 1921, as follows:

Assets.

Fixed capital		$1,604,549 31
Construction work in progress		169,528 12
Investments		201,669 30
Materials and supplies		117,480 03
Cash		23,811 26
Notes receivable		103 44
Accounts receivable		209,238 32
Prepaid expenses		6,277 69
Unamortized discount on stock		200,000 00
Unamortized discount on bonds		78,321 65
Other discounts		429,081 96
Corporate deficit		29,022 33
Total assets		$3,069,083 41

Liabilities.

Capital stock		$950,000 00
First mortgage bonds	$400,000 00	
First and refunding bonds	550,000 00	
Total bonds		950,000 00
Notes payable		4,300 00
Audited vouchers and wages unpaid		18,375 13
Accounts payable		787,345 98
Consumers' deposits		24,668 57
Interest and taxes accrued		25,104 34
Other credit items		463 28
Reserve for accrued depreciation		299,061 67
Other reserves		9,743 94
Consumers' contributions		20 50
Total liabilities		$3,069,083 41

The notes payable and the $787,345.13 of accounts payable represent largely, advances from the Southern Sierras Power Company and Hydro-Electric Securities Company. Mr. Ferguson testified that should this application be granted, Holton Power Company would use the proceeds from the sale of bonds to pay current liabilities incurred in construction work.

I herewith submit the following form of order:

ORDER.

Holton Power Company having applied to the Railroad Commission for permission to issue $50,000 of first and refunding mortgage bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified herein, and that the expenditures for such purposes are not in whole or in part, reasonably chargeable to operating expense or to income;

It is hereby ordered, that Holton Power Company be and it is hereby authorized to issue $50,000 of its first and refunding mortgage bonds.

The authority herein granted is subject to the following conditions:

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1. The bonds herein authorized shall be sold on or before December 31, 1921, at not less than 80 per cent of their face value, plus accrued interest.

2. The proceeds from the sale of the bonds herein authorized shall be used by applicant to reimburse its treasury in part, for money used in paying the $50,000 first mortgage bonds, referred to in this application. After such reimbursement, the proceeds shall be used to pay current liabilities incurred to pay for plant extensions, additions and betterments, or to pay for plant extensions, additions and betterments hereinafter installed.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4. Holton Power Company shall keep such records of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of April, 1921.

DECISION No. 8865.

IN THE MATTER OF THE APPLICATION OF WILLIAM W. BACON, JR., FOR AUTHORITY TO INCREASE WATER RATES.

Application No. 6571.
Decided April 16, 1921.

Walter F. Dunn, for Applicant.
LOVELAND, *Commissioner*.

OPINION.

This is an application filed by William W. Bacon, Jr., owner of a public utility water system located about one-half mile southwest of Arcadia, Los Angeles County, for authority to increase the rate charged for irrigation water furnished his consumers.

The application alleges in effect that the rates now in effect do not produce a revenue sufficient to cover the cost of maintenance and operation, replacement annuity and a proper return on the investment.

The rates at present in effect were established by this Commission in its Decision No. 7672, dated June 8, 1920, in the matter of the application

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of George M. Phelps, applicant's predecessor in interest, for authority to increase water rates. These rates are as follows:

For each hour plant is operated at full capacity in furnishing irrigation water to a consumer, the charge shall be $1.25.

The minimum charge shall be for one hour's operation of the plant.

A public hearing was held in the present proceeding at Los Angeles, of which all of applicant's consumers were duly notified and given an opportunity to appear and be heard.

Applicant presented, with his application, an estimate of the total cost of the system in the sum of $10,013 and an estimate of replacement annuity computed by the "straight line" method of $491.02. However, these estimates were not urged by applicant at the hearing.

Mr. D. H. Harroun, one of the Commission's hydraulic engineers, presented a report covering the results of a field investigation, an appraisal of the property and a study of the cost of maintenance and operation. His appraisal shows an estimated original cost of the system of $8,893 and gives $165 as a proper replacement annuity, computed by the 6 per cent sinking fund method. This report also recommends the sum of $1,525 as a fair and reasonable estimate of the future annual cost of maintaining and operating this system. These estimates were not questioned at the hearing or subsequently and appear fair.

The following is a summary of the annual charges as indicated above:

Return on $8,893 at 8 per cent	$711 00
Replacement annuity	165 00
Maintenance and operation cost	1,525 00
Total estimated annual charges	$2,401 00

The total revenue from this system for the year 1920 was not available, but the estimated revenue for the year 1921, at present rates, is about $1,850. It does not appear that there is reason to expect any notable increase in business in the near future. It would appear therefore that authority to increase the rate should be granted, and the rate set out in the order herein is designed to return to applicant the proper cost of maintenance and operation, a proper replacement annuity and a fair return upon the investment in used and useful public utility property.

I submit the following form of order:

ORDER.

William W. Bacon, Jr., owner of a public utility, having applied to the Railroad Commission for authority to increase the rate charged for water served to his consumers, a public hearing having been held and the matter having been submitted:

It is hereby found as a fact, that the rate heretofore charged by William W. Bacon, Jr., is unjust and unremunerative and that the rate herein established is a just and proper rate to be charged for the service rendered.

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Basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered by the Railroad Commission of the State of California that William W. Bacon, Jr., be and he is hereby authorized to file with this Commission within twenty (20) days of the date of this order the following rate for water:

For each hour plant is operated at full capacity in furnishing irrigation water to a consumer, the charge shall be $1.65.

The minimum charge shall be for one hour's operation of the plant.

It is hereby further ordered, that the flow furnished shall not be less than the standard flow heretofore furnished from this plant; namely, fifty (50) miner's inches, or one (1) cubic foot per second.

It is hereby further ordered, that the above established rate shall apply to all service rendered on and after May 1, 1921.

It is hereby further ordered, that William W. Bacon, Jr., file with this Commission for its approval within thirty (30) days from the date of this order rules and regulations governing his relations with his consumers.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of April, 1921.

DECISION No. 8866.

GEORGE H. COMPSTON ET AL.

vs.

RICHFIELD LAND COMPANY AND RICHFIELD WATER COMPANY.

Case No. 995.

Decided April 16, 1921.

JURISDICTION—MUTUAL WATER COMPANIES.—When evidence submitted shows that a land company and a water company had in fact been operating the system as a mutual water company under a contractual arrangement whereby the land company would convey the system to the water company and that each water user was a party to such contract, also that there has been no intentional violations of defendant's avowed status as a mutual water company such as would technically bring it under the jurisdiction of this Commission, the Commission has no alternative than to dismiss a complaint against water service for lack of jurisdiction.

W. A. Fish, for Complainants.

F. Delmore Lederman, for Defendants.

BY THE COMMISSION.

OPINION ON REHEARING.

In this proceeding defendants petitioned for a rehearing and asked that this Commission set aside its order and dismiss the complaint herein on the ground that defendants have been operating the system as a

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mutual water company, over which this Commission has no jurisdiction.

The Commission in its Decision No. 5025 in the above entitled proceeding held, in brief, that the facts as shown by the evidence established the status of the Richfield Land Company as a public utility under the provisions of section 2 of the Public Utilities Act and chapter 80 of the Statutes of 1913, and that the purported conveyance of its water plant and system to said Richfield Water Company dated August 3, 1916, is void under section 51 of the Public Utilities Act. The Richfield Land Company was directed to make certain improvements and repairs to its system and to do certain other things which would enable it to render sufficient and adequate service to the consumers.

Thereupon the defendant, Richfield Land Company, petitioned for a rehearing and asked for a reversal of the order in the aforementioned decision, alleging that said company is not a public utility and that the Commission is therefore without jurisdiction in the premises.

Public hearings in said petition for rehearing were held at Tehama and San Francisco, and the case was submitted on briefs. The testimony of the complainants and their evidence submitted was of similar purport to that of the former hearings in this proceeding, which was in effect that, while the evident intention of the defendants was to form a mutual water company by the form of the articles of incorporation of the Richfield Water Company, they had by certain acts and deeds failed to operate strictly as a mutual water company; therefore complainants claim that Richfield Land Company, in conjunction with its land business, actually constructed and owned and managed the water system, delivered water for compensation and collected water rates in "Richfield Lands" prior to the said date of conveyance of the water properties to Richfield Water Company.

It was shown and is an admitted fact that the officers and management of the Richfield Water Company were practically the same as the Richfield Land Company, and that the business and accounts were handled in the same office.

Defendants submitted evidence to show that it was their intention and that they had in fact been operating the system as a mutual water company under a contractual arrangement whereby the land company would convey the system to the water company, and that each water user was a party to these contracts.

After carefully reviewing and considering all the evidence introduced in this proceeding, including the articles of incorporation and by-laws of each of said defendants as evidencing their corporate functions and purposes, and the sale contract subscribed to and accepted by all of said complainants, it appears that there have been no flagrant and intentional violations of defendant's avowed status as a mutual water

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company such as would technically bring it under the jurisdiction of this Commission.

The fact remains that due to the operations of said Richfield Land Company, a wholly inadequate water supply and service has been provided the complainants for the irrigation of their lands. Said company, in subdividing and marketing these lands at high prices, held out as an inducement and virtually agreed with purchasers by its sales contracts, including the issue of water stock appurtenant to the lands, that proper and adequate irrigation service would be supplied. In this connection the operations of said land company and its subsidiary water company as disclosed by the evidence, cannot be too severely criticised; however, it appears that the relief asked for in above entitled proceeding cannot be obtained through the powers of this Commission.

ORDER ON REHEARING.

Richfield Land Company having filed a petition for a rehearing in above entitled proceeding, and due consideration having been given thereto, and the case having been heard and submitted on briefs and the Commission fully apprised in the premises;

It is hereby ordered, that Decision No. 5025 heretofore rendered in this proceeding be and it is hereby rescinded and set aside.

It is hereby further ordered, that the complaint in the above entitled proceding be and it is hereby dismissed for lack of jurisdiction.

Dated at San Francisco, California, this sixteenth day of April, 1921.

DECISION NO. 8867.

WILLIAM F. DAVIS, HARRY O. ADAMS, WILLIAM B. WHARTON AND MRS. ANITA CLEMENT.

vs.

HUGH A. BOYLE AND MRS. IDA M. BOYLE.

Case No. 1476.

Decided April 16, 1921.

William F. Davis, H. O. Adams and *Mrs. A. Clement*, for Complainants.
Hugh A. Boyle, for Defendants.

BY THE COMMISSION.

OPINION.

Complainants herein, who are residents of Tiburon, Marin County, and are served by the public utility water system owned and operated by defendants, allege that the supply of water furnished by defendants is inadequate; that water is shut off at irregular intervals and that during September and October of each year the shortage of supply seriously affects the sanitary condition of the community. They ask

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the Railroad Commission to permit the Belvedere Land Company to serve the territory now supplied by defendants, or that defendants be required to purchase or obtain such additional supply of water as will adequately supply the consumers.

A public hearing was held in this matter before Examiner Westover at Tiburon, of which all parties to this proceeding were notified and given an opportunity to appear and be heard.

Defendant, Hugh A. Boyle, testifying in his own behalf, admitted that the water supply has been insufficient, and stated that this condition is due to a continued decreasing flow from the springs which supply the system, this decrease being caused by the drought conditions which have prevailed for some time past.

The evidence shows that the Belvedere Land Company can not supply water to the Boyle system until the Belvedere company is able to obtain an additional supply of water. While it was shown that the Marin Municipal Water District may install a supply main in the vicinity of the Boyle system at some future date, it would be impossible to obtain an additional supply from this source at the present time.

With reference to immediate requirements, or those of the coming season, defendant Boyle testified that he is ready, able and willing to develop additional springs, should the demand require it, although from present indications it is reasonable to expect a normal flow from the springs during the coming season, in which event it is probable that no additional sources of supply will be necessary. However, the following order is designed to provide adequate protection against any possible shortage of supply.

ORDER.

Complaint having been made to the Railroad Commission as entitled above, a public hearing having been held and the matter having been submitted:

It is hereby found as a fact, that the service rendered by Hugh A. Boyle and Ida M. Boyle to their consumers has been inadequate and that the supply of water heretofore delivered has been insufficient.

And basing its order upon the foregoing finding of fact, and on the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that the defendants, Hugh A. Boyle and Ida M. Boyle, be and they are hereby directed to deliver a sufficient quantity of water to their consumers, and maintain or obtain sources of water supply sufficient to meet these needs.

It is hereby further ordered, that Hugh A. Boyle and Ida M. Boyle be and they are hereby directed to file with this Commission on or before May 1, 1921, a report containing a detailed survey of water conditions obtaining under the public utility water system operated by

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them, together with a statement as to whether or not the present sources of supply will produce a sufficient quantity of water to adequately serve their consumers; and in the event it is apparent that the supply may be insufficient to adequately serve all consumers, said report shall include a detailed outline of defendants' plan to augment the supply to meet the demand.

It is hereby further ordered, that defendants herein be and they are hereby directed, in the event that the present supply is insufficient to adequately supply all consumers during the coming season, to proceed immediately to develop an additional water supply in accordance with the plans submitted by them as modified or altered by the Commission, and shall have constructed not later than June 15, 1921, the necessary facilities in accordance with the above mentioned plan as modified or altered by the Commission.

Dated at San Francisco, California, this sixteenth day of April, 1921.

DECISION NO. 8874.

A. Q. ST. GEORGE

vs.

GEORGE H. WOODRUFF AND BERT BALLINGER.

Case No. 1468.

Decided April 16, 1921.

A. Q. St. George, Complainant, *in propria persona*.
George H. Woodruff and *Bert Ballinger*, Defendants, *in propria persona*.

BY THE COMMISSION.

OPINION.

The above entitled matter is a complaint against the service rendered and the rates charged for service by George H. Woodruff and Bert Ballinger, alleged operators of a pumping plant supplying water to plaintiff and other consumers for irrigation and domestic use near Amarillo Station in Los Angeles County.

A public hearing was held in this matter before Examiner Gordon at Los Angeles, of which all interested parties were duly notified and given an opportunity to appear and be heard.

The evidence shows that defendant, Bert Ballinger, acquired the sole ownership of the pumping plant referred to in June, 1920, and therefore this complaint in so far as it relates to George H. Woodruff may be dismissed.

The water which supplies this system is delivered to consumers at the pump. The pumping plant serves only six consumers, of which two take water for irrigation purposes only, the water for their use being transported through an open ditch. The other four consumers mutually

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own and operate the pipe line through which their supply is delivered to its various points of use. The domestic supply for these four consumers is stored in a tank located on complainant's land, which tank is filled by means of this mutually owned pipe line.

The complainant in this matter is one of the mutual owners of the pipe line, and in this proceeding cites instances of poor service and alleges that the pumping plant and system are in such a condition of disrepair that the full capacity of the pump is not delivered as paid for, and further alleges that the charge of $2 per hour is excessive for the amount of water the pumping plant delivers.

The evidence shows that the pump and engine of this utility have recently been overhauled and they now appear to be in fair operating condition. The discharge pipe, however, leaks considerably and is in need of immediate repair. There appears to be no unwillingness on the part of defendant to make all necessary repairs to put the pump into condition to deliver its full capacity. The testimony, however, developed the fact that one of the principal causes of unsatisfactory service, and the reason given by defendant for his objection to making expenditures for repair work on the pump was the existence of a stop valve in the mutually owned pipe line, installed therein by complainant for his own benefit in drawing water from the domestic water tank.

There appears to be no reason why this valve should not be located at a point near the pump to the advantage of all consumers and in such a way that the defendant would not injure his pumping plant by attempting to force the water through the line when the valve was partially or entirely closed. The Commission has no jurisdiction over this pipe line, as it is not a portion of the property operated by the utility. It is recommended, however, in the interest of fairness and more satisfactory service conditions, that this valve be removed, or, at least, relocated at a point where defendant can easily determine whether or not it is properly opened during operation of the pump.

A careful analysis of the operating conditions of this system by Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, shows that the present rate is not excessive. It has also been found that by making certain repairs, the pumping plant can be put in condition whereby it will deliver water to its full capacity, and the order herein will contemplate that such repairs be made. In the future, however, it is apparent that defendant should be given some assurance that the stop valve referred to will be under his control during the operation of the pump, or, at least, that it will not be interfered with in a way likely to cause injury to the pumping plant. This is a matter which the Commission believes can be settled amicably between the parties, and no formal conditions or regulations on service will be imposed at this time for the accomplishment of that purpose.

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ORDER.

Complaint having been made to the Railroad Commission as entitled above, a public hearing having been held and the matter submitted, it is hereby found as a fact:

1. That Bert Ballinger is, for the purpose of this proceeding, the sole owner and operator of the public utility water system concerning which this complaint is filed.

2. That the pumping plant of defendant is not in a proper condition of repair to deliver water to the consumers at full capacity.

3. That the service herein complained of can be materially improved by making proper repairs to the pumping plant of defendant and by the removal, on the part of plaintiff and the other consumers, of existing obstructions in the mutually owned pipe line controlled by said consumers and over which this Commission has no jurisdiction.

And basing its order upon the foregoing findings of fact and the further statements of fact which precede this order;

It is hereby ordered, that the above entitled complaint be and the same is dismissed as to the defendant, George H. Woodruff.

That the defendant, Bert Ballinger, as the present sole owner and operator of the pumping plant in question be and he is hereby directed to put said pumping plant in such condition of repair that it will deliver to his consumers its full capacity; that said repairs shall be completed within twenty (20) days from the date of this order, and that upon completion, said defendant shall file with the Railroad Commission a certified statement showing what repairs have been made and indicating the capacity of the pump.

That defendant, Bert Ballinger, be and he is hereby directed to file with the Railroad Commission within thirty (30) days from the date of this order a schedule of rules and regulations governing service to consumers, said rules and regulations to become effective upon their approval by this Commission.

That in all other respects the above entitled complaint be and the same is hereby dismissed.

Dated at San Francisco, California, this sixteenth day of April, 1921.

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DECISION NO. 8880.

IN THE MATTER OF THE APPLICATION OF FRESNO CANAL AND LAND CORPORATION, FOR AUTHORITY TO INCREASE THE RATES CHARGED BY IT FOR WATER FOR IRRIGATION PURPOSES.

Application No. 5656.

Decided April 16, 1921.

IRRIGATION SERVICE—LATERALS—OPERATION OF.—To give efficient and adequate service it is held that an irrigation company should operate the laterals as well as the main canals and deliver water direct to each farmer's turnout. The operation of laterals by consumers themselves tends to an unfair distribution of water in that consumers situated advantageously may take all the water they desire irrespective of the inconvenience or loss to other consumers on the same ditch. As the operation of laterals will increase the operating expenses of applicant, an increased schedule of rates for irrigation service of applicant is established, to become effective within twenty days.

L. L. Corey, for Applicant.

MARTIN, *Commissioner.*

OPINION.

This is an application of the Fresno Canal and Land Corporation, a public utility engaged in the business of distributing and selling water for irrigation purposes in the vicinity of the city of Fresno. In this proceeding applicant asks for authority to increase its rates, it being alleged that the present rates do not produce an income sufficient to equal maintenance and operation expenses, replacement annuity and an adequate return on the investment.

A public hearing was held in this matter at Fresno, California. Applicant is negotiating the sale of all of its properties to the Fresno Irrigation District, with the exception of the Lone Tree channel and its branches, and for this reason the evidence was limited to that affecting the distribution of water through these ditches.

It appears that the total area served is about 10,000 acres divided into 386 parcels. Sixty-five of the consumers were receiving water under contracts which terminated February 1, 1921. The company has never delivered the water directly to all of the consumers, but has operated only the main canals, delivering a stated amount of water at the heads of the laterals, which in turn were operated by the consumers themselves, and were known as "farmers' ditches."

To give efficient and adequate service the company should operate the laterals as well as the main canals and deliver the water to each farmer's turnout. Of course, this will put the company to a greater expense, for which it should be compensated. In the final analysis, this part of the rate is not an increase to the consumer, as he has heretofore assisted in operating the laterals at probably a greater expense than the additional amount he will be required to pay the company. The service also will be bettered. Quite often the farmers have not been able to get a fair

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distribution of water on account of certain individuals being located advantageously and taking all the water they desired regardless of the inconvenience or loss caused other consumers on the same ditch. This condition will doubtless be much improved by the altered operating program.

After carefully considering all the evidence, it is believed that the sum of one dollar and fifty cents ($1.50) per acre per year is a fair rate for both the company and consumers.

The estimates for maintenance and operation expense have been liberal and the Commision will expect the company to provide efficient and adequate service to the consumers.

ORDER.

Fresno Canal and Land Corporation having applied to the Railroad Commission for authority to increase its rates for water delivered through the Lone Tree channel, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact, that the rates and charges of Fresno Canal and Land Corporation, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates.

And basing its order on the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that the Fresno Canal and Land Corporation be and it is hereby authorized to file with the Railroad Commission of the State of California, within twenty (20) days from the date of this order and thereafter charge the rate of one dollar and fifty cents ($1.50) per acre per annum.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of April, 1921.

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DECISION NO. 8890.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN WHARF AND WAREHOUSE COMPANY, FOR AN ORDER AUTHORIZING ISSUANCE OF CAPITAL STOCK AND AUTHORIZING THE PURCHASE OF REAL AND PERSONAL PROPERTY FROM DICKINSON-NELSON COMPANY, A PUBLIC UTILITY.

Application No. 6707.

Decided April 20, 1921.

STOCK ISSUES—PROMOTION EXPENDITURES—PERCENTAGE ALLOWED FOR.—In denying applicant's request for permission to expend 20 per cent of the proceeds from the sale of stock for promotion expenses, etc., the Commission holds that such amount is unreasonable. Assuming the stock to be sold at par, 15 per cent of the proceeds for promotion expenses, cost of incorporation and attorneys fees is a reasonable allowance, provided that none of applicant's officers shall make a profit through the sale of securities. They should receive a reasonable compensation for their services which should not be dependent upon their success in selling stock.

Heller, Ehrman, White and McAuliffe, for Applicant.

MARTIN, *Commissioner.*

OPINION.

San Joaquin Wharf and Warehouse Company asks permission to issue $200,000 par value (20,000 shares) of common stock. Applicant intends to issue seven shares of its stock to its incorporators and sell the remainder at 80 per cent net and use the proceeds for the purposes hereinafter indicated.

San Joaquin Wharf and Warehouse Company was organized during February, 1921. The company has an authorized stock issue of $200,000 divided into 20,000 shares of $10 each.

Applicant's articles of incorporation show that it is formed for the purpose, among others, to carry on the business of wharfage, storage and warehousing in all its branches; to contract for hauling of goods, wares and merchandise of all nature and description; to receive goods on consignment or otherwise; to store, sell and distribute goods on commission or other basis; to export, import and otherwise deal in goods, wares and merchandise of all classes and description; to act as a public weighmaster; to issue warehouse receipts, certificates and circulars, negotiable or otherwise, to persons warehousing or storing goods, wares or merchandise with the company, etc.

Applicant reports that it has an option to purchase at a cost of $100,000 from the Dickinson-Nelson Company the following warehouse and other properties:

That certain building situated at numbers 12 and 14 West Weber avenue, in the city of Stockton, State of California, together with the land on which the same is situated and now being occupied by the undersigned as offices; also 300 feet of land on the Mormon Channel and about 600 feet deep, together with the hay and grain warehouse situated thereon known as the Dickinson-Nelson Warehouse; also all

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machinery in said warehouse, together with two trucks and three automobiles, a wagon scale and office, auto and horse barn; grain and hay wharves on Mormon Channel, also spur track running from the warehouse and connecting with The Western Pacific Railroad, all of the above property situated in Stockton, California; also one grain warehouse at Romain, in Stanislaus County, California, together with the land on which the same is situated.

E. C. Dickinson, president of Dickinson-Nelson Company, is of the opinion that the properties which his company has agreed to sell for $100,000 are worth at least $109,121.87, while a representative of applicant estimates the present value of the properties at $125,000. It appears that E. C. Dickinson desires to retire from the warehouse business and that for that and other reasons he is willing to sell the properties to applicant for $100,000.

Applicant further reports that it has leased from The Western Pacific Railroad Company for a term of ten years a warehouse on the line of that railroad, together with ground adjoining the Western Pacific warehouse. The property leased from The Western Pacific Railroad is on Stockton Channel, immediately north of Weber avenue in Stockton. The warehouse has a length of 350 feet and a uniform width of 100 feet. On the ground adjoining this warehouse applicant intends to construct a warehouse immediately adjacent to and to form a part of the existing Western Pacific Warehouse.

The cost of this new building is estimated at from $30,000 to $35,000. Applicant has agreed to pay for the use of the Western Pacific properties a monthly rental of $400 for a term of five years. At the end of the five-year period, the rental is to be adjusted on the basis of the then value of the leased properties. Upon the termination of the lease, a copy of which is on file in this proceeding, applicant may remove the warehouse building which it intends to construct on the leased premises.

Applicant reports that it intends to sell its stock for par and use 20 per cent of the proceeds to pay promotion expenses, including cost of incorporation and attorney fees.

It is urged by the witness for applicant that inasmuch as applicant intends to sell its stock to farmers and prospective patrons of its warehouse, a larger commission than usual is necessary, for the reason that some time will be required to effect a sale of the stock. At the same time it is explained that a real necessity exists for the establishment of applicant's warehouse business, and that numerous inquiries have been made about applicant's stock.

In my opinion there has been no satisfactory showing made that it is necessary for applicant to expend 20 per cent of the proceeds from the sale of its stock to pay promotion expenses, including cost of incorporation and attorney fees, and no such payments will be permitted.

The order herein will permit the expenditure of not exceeding 15 per cent of the proceeds, assuming the stock is sold at par, to pay

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promotion expenses, including cost of incorporation and attorney fees. It is expected that applicant's stock will be sold at the least possible expense, and that none of applicant's officers will make any profit through the sale of its securities. They should receive a reasonable compensation for their services rendered and such compensation should not be dependent upon their success in selling stock.

The Commission expects applicant's stock to be sold for cash. In the event that a subscriber is unable to make full cash payment, the balance due on his stock subscription may be noted on the subscription blank. Under no circumstances shall applicant accept notes in payment for stock sold.

Any prospectus which may be issued by applicant, as well as any stock subscription, agreement or other literature distributed by applicant shall recite that the order of the Commission authorizing the issue of the stock is permissive only and does not constitute a recommendation or indorsement of the Railroad Commission of said stock.

I herewith submit the following form or order:

ORDER.

San Joaquin Wharf and Warehouse Company having applied to the Railroad Commission for permission to issue $200,000 of stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for through such issue is reasonably required by applicant, and that the expenditures for such purposes as herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that San Joaquin Wharf and Warehouse Company be and it is hereby authorized to issue $200,000 par value of its common capital stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold by applicant for cash at not less than par. No stock or stock certificates shall be issued or delivered until fully paid in cash by the subscriber therefor.

2. Of the stock herein authorized to be issued, $70 par value (7 shares) may be issued to applicant's incorporators, and the proceeds from the sale of said $70 par value of stock used for working capital.

3. The proceeds realized from the sale of $199,930 of stock shall be used for or accounted for as follows:

(*a*) Not exceeding $100,000 to pay for the properties which applicant intends to acquire from the Dickinson-Nelson Company, referred to in this application.

(*b*) Not exceeding $35,000 to pay for the cost of constructing the warehouse on the property leased from The Western Pacific Railroad Company, referred to in this application.

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(*c*) Not exceeding 15 per cent of the proceeds to pay bona fide and reasonable organization and incorporation expenses, attorney's fees and brokerage fees.

(*d*) Not exceeding $20,000 may be used for working capital; provided, however, that none of the $20,000 be used to pay any of the expenses referred to in paragraph (*c*) preceding.

(*e*) The remainder of the proceeds may be expended only for such purposes as the Railroad Commission may hereafter authorize by a supplemental order or orders.

4. Applicant shall file with the Commission the name and post-office address of each stock subscriber, with the amount of stock subscribed and payments made by each subscriber.

5. Applicant shall file with the Commission a copy of its prospectus, if any is printed and distributed, copy of its stock subscription agreement, and a copy of each and every agreement under the terms of which any individual or individuals are employed to act as agents or salesmen for applicant, to sell the stock herein authorized.

6. On each stock subscription agreement and on any prospectus distributed by applicant, shall appear this language:

"While the Railroad Commission has authorized the issue and sale of this stock, its order is permissive only and does not constitute a recommendation or indorsement of the stock."

7. San Joaquin Wharf and Warehouse Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

8. The authority herein granted will apply only to such stock as may be issued, sold and delivered on or before October 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twentieth day of April, 1921.

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DECISION No. 8891.

IN THE MATTER OF THE APPLICATION OF FLORA WATER COMPANY FOR AUTHORITY TO ESTABLISH METERED RATES FOR WATER SERVICE AND FOR INCREASE IN RATES.

Application No. 6459.
Decided April 20, 1921.

Henry K. Elder, for Applicant.
A. R. Black, in propria persona.

BY THE COMMISSION.

OPINION.

Flora Water Company, applicant in the above entitled matter, is engaged in selling and distributing domestic and irrigation water to twenty consumers in the La Fresa tract, Los Angeles County. Applicant asks for authority to increase rates for water service, and to establish meter rates, alleging in effect that the present rate does not produce an income sufficient to pay current operating expenses, and that there is an excessive waste of water due to the flat rates now in effect.

A hearing in the above entitled proceeding was held at Los Angeles before Examiner Westover, of which hearing applicant's consumers were duly notified and given an opportunity to appear and be heard.

Applicant acquired the water system from the Flora Water Company (incorporated), a mutual company, in April, 1920, by authority of the Commission granted in Decision No. 7351, in Application No. 5399 entitled, *In the Matter of the Application of the Flora Water Company, incorporated, to sell, and Elroy M. Johnson to purchase, the water system of the Flora Water Company located at Redondo Beach, California.* At that time the present flat rate of $1.25 per month for domestic service and two cents per inch per hour for irrigation service was agreed upon by applicant and the consumers, all of whom were stockholders in the mutual company.

Water is obtained from a 12-inch well about 300 feet deep and is pumped into a 10,000-gallon tank on a 30-foot tower, from which it is distributed to the consumers through 4-inch and 6-inch mains.

A field investigation and appraisal of the used and useful properties was made by F. H. Van Hoesen, one of the Commission's hydraulic engineers. The appraisal submitted shows the estimated original cost of the system to be $6,612, and $135 as the annuity for replacement fund, computed on the sinking fund basis. Maintenance and operating expense for 1921 was estimated at $1,183. It appears that power bills have increased materially because of the heretofore faulty registration of the electric meter and a possible excessive use of water.

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Applicant has no records of revenues, and because of disputes over bills has made no collections except those voluntarily offered. However, it is apparent that it would require a prohibitive rate to yield the above estimated annual charges from twenty consumers.

There are no records of water use by consumers of this system available upon which to base a schedule of meter rates for this utility, but it is believed that the rates set out in the following order, which are comparable to those of similar utilities similarly operated, will produce a reasonable income for the service rendered.

The Commission has repeatedly urged utilities operating under flat rates to install meters and deliver water on a measured basis. The benefits derived from a metered system are a conservation of water, a distribution of charges according to use, and a saving in operation charges, which in this case would be pumping cost.

ORDER.

Flora Water Company, having made application to the Railroad Commission as entitled above, a public hearing having been held thereon and the Commission being fully informed in the matter:

It is hereby found as a fact, that the rates now charged by Flora Water Company for water delivered to its consumers are unjust and unreasonable, in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for such service.

And basing its order upon the foregoing finding of fact, and upon the statements of fact contained in the opinion preceding this order;

It is hereby ordered, that Flora Water Company be and it is hereby authorized and directed to file with the Railroad Commission of the State of California, within twenty (20) days from the date of this order, the following schedule of rates, said rates to be charged for all water delivered to consumers on and after May 1, 1921, and superseding all rate schedules theretofore in effect:

Monthly Minimum Rates.

For ¾-inch meter	$1 00
For 1-inch meter	1 25
For 1¼-inch meter	1 75
For 1½-inch meter	2 50
For 2-inch meter	3 00
For 3-inch meter	5 00

Monthly Meter Rates.

From 0 to 500 cubic feet, per 100 cubic feet	$0 25
From 500 to 1000 cubic feet, per 100 cubic feet	20
From 1000 to 2000 cubic feet, per 100 cubic feet	15
Over 2000 cubic feet, per 100 cubic feet	05

It is hereby further ordered, that the Flora Water Company be and it is hereby directed to file with the Railroad Commission, for its approval, rules and regulations governing the distribution of water to its

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consumers, said rules and regulations to be filed with the Commission within thirty (30) days of the date of this order and to be and become effective within five (5) days of the date of their approval by this Commission.

Dated at San Francisco, California, this twentieth day of April, 1921.

DECISION NO. 8893.

R. G. WILLIAMS ET AL.

vs.

STOCKTON AND MOKELUMNE CANAL COMPANY, A CORPORATION.

Case No. 1225.

Decided April 20, 1921.

IRRIGATION SERVICE—ABANDONMENT OF.—It has been the uniform policy of the Commission to encourage the more extended use of water for irrigation purposes in every instance where sufficient water is available and it is the effort of the Commission to assure consumers, particularly complainants in the present proceeding, a continuing service as no water utility can sell its property or abandon service without the consent of the Railroad Commission.

A. C. White, John A. Wilson and *A. R. Bogue*, for Complainants.
Arthur L. Levinsky, for Defendant.

BY THE COMMISSION.

OPINION.

The complaint alleges that defendant's rates are discriminatory and exorbitant; that defendant requires complainants to sign a form of application for water which, it is alleged, will prejudice the rights of complainants to irrigation service; and that defendant threatened that it would not serve water except upon signing such form.

The answer denies that the forms complained of are designed to prejudice the rights of irrigators, but are only intended to permit the application of water to areas not heretofore irrigated, without creating rights or priorities in service which would tend to prejudice existing rights to service of water. It also requests that just and reasonable rates be established.

Upon suggestion of the Commission, the objectionable clause in the form of application was eliminated by defendant prior to the first hearing. The remaining issue is, therefore, rates.

Public hearings in the case were held by Examiner Westover at Stockton and San Francisco.

The testimony shows that the system has never been sufficiently patronized to enable the property to be profitably operated, nor to satisfactorily develop the territory which it serves.

Defendant claims that it has always had an abundance of water to sell, and there appears to have been no serious complaint as to the

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character of service rendered, but there appears to have been more or less friction between the previous management of the property and its patrons, almost from the beginning of the enterprise. There was also fear on the part of irrigators that the water would be taken away from their lands improperly and applied to lands in a proposed irrigation district; and that if lands were leveled and checked, or otherwise prepared for irrigation, the cost of such preparation would eventually be lost.

Defendant, which has operated for years as a public utility and assumes the position of a public utility in this case, can not sell its property or abandon service to the present irrigators without the consent of the Railroad Commission. It has been the uniform policy of the Commission to encourage the more extended use of water for irrigation purposes in every instance where sufficient water is available. Its effort in this case has been to assure to complainants and those having irrigable lands under defendant's system a continuing service, so they might feel safe in preparing to receive and use water if desired. By cooperation between the parties, defendant can operate its system more economically and at lower rates than otherwise.

As a result of the hearings, the parties have agreed upon the rates found in the order, which defendant says it estimates will produce operating expenses without any return upon investment, if it can be assured of a steady market for a reasonable amount of water.

The Commission's engineers have checked defendant's estimates and report that the agreed rates will probably not produce any return upon investment unless the acreage served is very greatly increased.

ORDER.

Public hearings having been held in the above entitled case, the matter being submitted and now ready for decision;

It is hereby ordered, that defendant, Stockton and Mokelumne Canal Company, be and it is hereby directed to file within twenty (20) days and thereafter charge and collect the following rates per acre for water served from its irrigation system, to wit:

Alfalfa	$4 00 per year
Beans, tomatoes, beets, garden truck, vines, trees, seeds and melons	3 00 per year
Grain and corn	2 00 per year
Pasture land (1 irrigation)	1 00 per year

It is hereby further ordered, that Stockton and Mokelumne Canal Company be and it is hereby directed to file with this Commission, within twenty (20) days from the date of this order, a proposed schedule of rules and regulations which shall be put into effect as amended and corrected by the Commission, and within five (5) days of the date of their approval by the Commission.

Dated at San Francisco, California, this twentieth day of April, 1921.

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DECISION NO. 8894.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY, FOR AN ORDER AUTHORIZING THE ISSUE OF ITS FIVE-YEAR SIX AND ONE-HALF PER CENT NOTES OF THE PAR VALUE OF TWO HUNDRED NINE THOUSAND DOLLARS.

Application No. 6714.

Decided April 26, 1921.

Chickering and Gregory, by *Allen L. Chickering*, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Western States Gas and Electric Company asks permission to issue and sell, at not less than 92.75 per cent of their face value plus accrued interest, $209,000 of its 6½ per cent collateral trust gold notes due August 1, 1923, and to deposit $326,000 of its first and refunding bonds, due June 1, 1941, as security, in part for the $209,000 of notes and other notes issued pursuant to authority granted in Decision No. 5528, dated July 1, 1918, and Decision No. 7857, dated July 10, 1920. The company further asks permission to use the proceeds from the sale of notes to reimburse its treasury, in part, because of moneys expended to pay for additions and betterments, prior to February 28, 1921, which expenditures applicant reports have not been capitalized by the issue of stocks, bonds or notes.

The $209,000 of notes are part of an authorized issue of $1,500,000 of five-year 6½ per cent notes dated August 1, 1918, the payment of which is secured by a collateral trust agreement authorized to be executed by the Railroad Commission in Decision No. 5528 (Volume 15, Opinions and Orders of the Railroad Commission of California, page 904). The collateral trust agreement provides that applicant deposit as collateral with Union Trust Company of San Francisco, trustee, a sufficient amount of its first and refunding mortgage bonds as will enable the collateral trust notes to be certified as legal investments for savings banks of California, under the terms of the Bank Act. Pursuant to authority heretofore granted, the company has issued $990,000 of collateral trust notes and has secured their payment by the deposit of $1,398,000 of bonds. Permission is now requested to issue $209,000 of additional notes, and to secure the payment of such notes, and those heretofore issued, by the deposit of $326,000 of additional bonds. If the notes and bonds herein authorized are issued, applicant will have outstanding $1,199,000 of notes secured by deposit of $1,724,000 of bonds.

By Decision No. 8494, dated December 30, 1920, the Railroad Commission authorized applicant to issue and sell $264,000 of first and

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refunding mortgage bonds. Applicant reports that it has issued and sold $156,000 of bonds, leaving $107,500 unissued. The company now asks to use the $107,500 of bonds as security in part for its collateral trust notes. The $107,500 of bonds are included in the $326,000 of bonds referred to hereinabove.

The company reports that from November 30, 1916, to February 28, 1921, it expended for additions and betterments $2,683,002.31 and that it has paid $2,248,192.51 through the sale of stock, bonds, notes and temporary investment of its reserve for accrued depreciation, leaving an amount of $434,809.80 against which no securities have been issued. The testimony shows that applicant intends to use the proceeds from the sale of notes herein requested to reimburse its treasury in part and to pay its current indebtedness, which, in Exhibits "1" and "2" is reported to consist of open account indebtedness due Standard Gas and Electric Company, and $307,500 of notes payable.

I herewith submit the following form of order:

ORDER.

Western States Gas and Electric Company, having applied to the Railroad Commission for permission to issue bonds and notes, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of bonds and notes herein authorized is reasonably required for the purposes specified in this order, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expense or to income;

It is hereby ordered, that Western States Gas and Electric Company be and it is hereby authorized to issue and sell, at not less than 92.75 per cent of face value plus accrued interest $209,000 of its 6½ per cent collateral trust gold notes, due August 1, 1923, and to issue and deposit as collateral $218,500 of its first and refunding mortgage bonds due June 1, 1941.

It is hereby further ordered, that Western States Gas and Electric Company be and it is hereby authorized to deposit as collateral $107,500 of the first and refunding bonds authorized to be issued by Decision No. 8494, dated December 30, 1920.

The authority herein granted is upon the following conditions:

1. The $326,000 of first and refunding mortgage bonds shall be deposited with the trustee under applicant's five-year 6½ per cent collateral trust mortgage, as security for the payment of the $209,000 of notes herein authorized and those notes heretofore authorized to be issued in Decision No. 5528 and Decision No. 7857.

2. Upon the payment of the collateral trust notes, or any portion thereof, all the $326,000 of bonds, or a proper proportion thereof, shall

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be returned to applicant's treasury and thereafter not disposed of in any manner whatsoever, except as authorized by the Commission.

3. The proceeds from the $209,000 of notes herein authorized to be issued shall be used by applicant to reimburse its treasury and to pay in part its current indebtedness reported in Exhibits "1" and "2" attached to the petition.

4. Western States Gas and Electric Company shall keep such record of the issue, sale and deposit of the bonds and notes herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

6. The authority herein granted shall apply only to such notes and bonds as may be issued, sold and deposited on or before November 30, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of April, 1921.

DECISION No. 8896.

IN THE MATTER OF THE APPLICATION OF MOUNT TAMALPAIS AND MUIR WOODS RAILWAY FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

Application No. 6157.
Decided April 26, 1921.

Thomas, Beedy and Lanagan, by *William Thomas*, for Applicant.
MARTIN, *Commissioner.*

OPINION.

In this application, as amended at the hearing, Mount Tamalpais and Muir Woods Railway asks permission to issue $79,500 of its common stock to reimburse its treasury. It is the intention of the company to distribute this stock to its stockholders as a stock dividend.

Mount Tamalpais and Muir Woods Railway, as of December 31, 1920, reports $318,000 of stock and $41,000 of bonds outstanding. Its liabilities, other than its bonded indebtedness, on December 31, 1920, consisting of accounts payable, accrued interest and accrued taxes, are reported at $16,063.10. Its unadjusted credits are reported at $3,195.70. As of December 31, 1920, applicant reports an accumulated surplus of

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$101,329.90. An analysis of applicant's surplus shows that the surplus represents realized earnings and that such earnings have in part been used to pay off bonded and other indebtedness, in part to pay for new properties, and that the surplus represents, in part, cash and materials and supplies on hand.

The cash and the reported cost of materials and supplies on hand is less than the difference between applicant's accumulated surplus and the amount of stock which applicant asks permission to issue.

The Railroad Commission, in Decision No. 2180, dated February 27, 1915 (Volume 6, Opinions and Orders of the Railroad Commission of California, page 233), found the reproduction cost of applicant's operative and nonoperative property as of June 30, 1913, to be $505,564.96, and the reproduction cost, less depreciation, to be $450,557.08. Since June 30, 1913, applicant reports an expenditure of $71,108.55 for additions and betterments.

I am of the opinion that it is proper for this Commission to authorize applicant to issue $79,500 of stock to reimburse its treasury, and herewith submit the following form of order:

ORDER.

Mount Tamalpais and Muir Woods Railway having applied to the Railroad Commission for permission to issue $79,500 of common stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in this order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expense or to income;

It is hereby ordered, that Mount Tamalpais and Muir Woods Railway be and it is hereby authorized to issue and deliver at not less than par, on or before December 31, 1921, $79,500 of its common stock for the purpose of reimbursing its treasury, and through such reimbursement pay a stock dividend on not exceeding $79,500, provided that Mount Tamalpais and Muir Woods Railway will keep such record of the issue and delivery of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of April, 1921.

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DECISION No. 8897.

IN THE MATTER OF THE APPLICATION OF THE MOUNT TAMALPAIS AND MUIR WOODS RAILWAY FOR AN ORDER AUTHORIZING IT TO ISSUE NOTES AND SECURING THE SAME BY A PLEDGE OF BONDS.

Application No. 6766.

Decided April 26, 1921.

Thomas, Beedy and Lanagan, and *R. H. Ingram*, for Applicant.
LOVELAND, *Commissioner*.

ORDER.

Mount Tamalpais and Muir Woods Railway having applied to the Railroad Commission for permission to pledge with First National Bank of San Francisco $15,000 of the first mortgage bonds of Mill Valley and Mount Tamalpais Scenic Railway that have been reacquired by applicant and held as treasury bonds, and having reported that the bonds will be used to secure the payment of a ninety-day note in the principal amount of $15,000 bearing interest at not to exceed 7 per cent, that has been issued to purchase a locomotive reported to be necessary in the business of applicant, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the pledge of the bonds herein authorized is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expense or to income;

It is hereby ordered, that Mount Tamalpais and Muir Woods Railway be and it is hereby authorized to pledge $15,000 face value of first mortgage bonds of Mill Valley and Mount Tamalpais Scenic Railway as security for the payment of a note issued in the principal amount of $15,000, bearing interest at not to exceed 7 per cent, and maturing on or before one year after date.

The authority herein granted is subject to the following conditions:

1. The proceeds from the issue of the note, the payment of which is to be secured by the pledging of the bonds herein authorized, shall be used to pay the purchase price of the locomotive referred to in the petition.

2. Upon the payment of the note, or any portion thereof, all the bonds, or a proper proportion thereof, shall be returned to applicant's treasury and not thereafter disposed of without further order from the Commission.

3. Mount Tamalpais and Muir Woods Railway shall keep such record of the deposit of the bonds herein authorized as will enable it to file a verified statement, as required by the Railroad Commission's General

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Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such bonds as may be pledged on or before May 30, 1921, and will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of April, 1921.

DECISION NO. 8898.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, AND MOUNT SHASTA POWER CORPORATION, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING THE EXECUTION OF A MORTGAGE AND THE ISSUANCE OF BONDS.

Second Supplemental Application No. 6387.

Decided April 26, 1921.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Whereas, Pacific Gas and Electric Company reports that it has sold at 93.5 per cent of face value, plus accrued interest, the $10,000,000 of first and refunding mortgage 7 per cent 20-year bonds authorized to be issued by Decision No. 8446, dated December 20, 1920, as amended, and has received from such sale the principal sum of $9,350,000, and the further amount of $88,479.27 as accrued interest; and

Whereas, Pacific Gas and Electric Company and Mount Shasta Power Corporation report, in their second supplemental petition filed in this proceeding, that Mount Shasta Power Corporation, up to December 31, 1920, has expended for construction of extensions, additions and betterments from funds advanced by Pacific Gas and Electric Company the sum of $2,211,033.69, and that Mount Shasta Power Corporation has unexpended balances of its general manager's authorizations for construction work on December 31, 1920, of $13,656,012.34, as described in Exhibit "C" attached to the second supplemental petition herein; and

Whereas, Pacific Gas and Electric Company reports additional expenditures, both actual and estimated, in Exhibits "E" and "F"; and

Whereas, applicants ask the Railroad Commission to make an order authorizing Pacific Gas and Electric Company to apply $88,479.24, the

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amount of accrued interest on the bonds sold, to the payment of the first semiannual installment of interest to become due on said bonds and permitting applicants to use the $9,500,000 to finance in part the construction expenditures incurred or to be incurred, described in Exhibits "C," "E" and "F" attached to the second supplemental petition filed in this proceeding; and

Whereas, the Commission is of the opinion that further time is required to consider some of the estimated expenditures submitted by applicants, and that therefore no final order can be made in this proceeding; that applicants' requests may be granted to the extent indicated in this order, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that the order in Decision No. 8446, dated December 20, 1920, as amended, be and it is hereby modified so as to permit Pacific Gas and Electric Company to use $88,479.24 obtained from the sale of its bonds and representing accrued interest on said bonds to pay part of the first semiannual installment of interest on said bonds, and permit the reimbursement of the sum of $2,211,033.69 advanced by said Pacific Gas and Electric Company to said Mount Shasta Power Corporation and by the latter expended during the period from April 30, 1917, to and including December 31, 1920, for the acquisition of lands, rights of way and other properties, and for the construction of hydroelectric power plants, electric transmission lines and works necessary for use in connection therewith, reported in Exhibit "C" attached to the second supplemental petition in the above entitled matter, provided that reimbursement may be made only to the extent that the cost of said properties is properly chargeable to fixed capital, as defined by the Commission in its classification of accounts.

It is hereby further ordered, that the order in Decision No. 8446, dated December 20, 1920, as amended, shall remain in full force and effect, except as modified by this third supplemental order.

Dated at San Francisco, California, this twenty-sixth day of April, 1921.

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DECISION NO. 8899.

IN THE MATTER OF THE APPLICATION OF ROSEVILLE WATER COMPANY, A CORPORATION, FOR ORDER AUTHORIZING ISSUANCE OF NOTES IN THE PRINCIPAL SUM OF TEN THOUSAND DOLLARS.

Application No. 6717.

Decided April 26, 1921.

Meredith, Landis and Chester, by *James D. Meredith*, for Applicant.
MARTIN, *Commissioner*.

OPINION.

Roseville Water Company asks permission to issue and sell $10,000 of its 8 per cent unsecured promissory notes at not less than 95 per cent of face value.

The company, which is distributing water in the city of Roseville, in Placer County, was incorporated on March 4, 1912, with an authorized common stock issue of $200,000, of which $100,300 was reported outstanding on December 31, 1920.

The record shows that service to a portion of the city that lies on elevated ground has been very poor, because of an inadequate water supply and pressure. To improve this situation applicant intends to purchase, for $3,510, a deep well turbine pump with vertical motor and electrical control devices. The pump will have a capacity of 300 gallons per minute under a head of 240 feet and be installed at a point near Grove and Jones streets in Roseville.

Applicant further reports the necessity of purchasing additional equipment, including a reserve pumping plant consisting of a four-inch centrifugal pump, equipped with a seventy-five horsepower motor, having a capacity of 600 gallons per minute, to be used as an equalizing unit, and approximately 4550 feet of pipe of varying dimensions to be used to connect the proposed pumps with existing mains and to renew and replace certain mains now in use, all estimated to cost about $5,639. The proposed additions and betterments are more fully described in Exhibits "1" and "2" attached to the petition herein.

To finance these contemplated improvements, applicant proposes to issue at 95, $10,000 of its 8 per cent unsecured promissory notes, maturing in three equal annual installments, commencing one year after date of issue and callable at 101 and accrued interest on any interest payment date before maturity. Mr. W. C. Hemphill, applicant's manager, testified that the persons from whom applicant has arranged to purchase the proposed equipment have agreed to take the notes at 95, in payment for the equipment.

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As of December 31, 1920, applicant reports its assets and liabilities as follows:

Assets.

Fixed capital	$129,109 05
Cash	448 11
Accounts receivable	8,821 52
Sinking funds	20,870 00
Unamortized discount on stock	80,000 00
Suspense	25 00
Total assets	$239,273 68

Liabilities.

Capital stock	$100,300 00
Funded debt	100,000 00
Interest accrued	1,750 00
Reserve for accrued depreciation	8,906 29
Reserve invested in sinking funds	20,870 00
Corporate surplus	7,447 39
Total liabilities	$239,273 68

I herewith submit the following form or order:

ORDER.

Roseville Water Company having applied to the Railroad Commission for permission to issue notes, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of notes herein authorized is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expense or to income;

It is hereby ordered, that Roseville Water Company be and it is hereby authorized to issue and sell, at not less than 95 per cent of their face value, $10,000 of its 8 per cent unsecured promissory notes to pay for the extensions, additions and betterments described in Exhibits "1" and "2" attached to the petition herein.

The authority herein granted is subject to the further conditions as follows:

1. The notes herein authorized shall mature in three equal annual installments, commencing one year after date of issue, and be callable at not exceeding 101 per cent of their face value plus accrued interest on any interest payment date before maturity.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

3. Applicant shall keep such record of the issue and sale of the notes herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a

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verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted to issue notes will apply only to such notes as may be issued, sold and delivered on or before July 31, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of April, 1921.

DECISION NO. 8900.

IN THE MATTER OF THE APPLICATION OF TIDEWATER SOUTHERN RAILWAY COMPANY, FOR AN ORDER AUTHORIZING THE ISSUANCE OF FIFTY-ONE THOUSAND DOLLARS ($51,000) PAR VALUE OF ITS FIRST MORTGAGE FIVE PER CENT THIRTY YEAR GOLD BONDS.

Application No. 6626.
Decided April 26, 1921.

Lester J. Hinsdale, by *Jas. S. Moore, Jr.*, for Applicant.
MARTIN, *Commissioner.*

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission having authorized Tidewater Southern Railway Company, by Decision No. 8778, dated March 21, 1921, to issue $49,000 of its first mortgage bonds and to pledge them with First Federal Trust Company of San Francisco as security for the payment of a one-year promissory note of like amount issued to purchase a sixty-ton electric locomotive, and Tidewater Southern Railway Company having applied to the Railroad Commission in its first supplemental application in the above entitled matter for permission to issue and pledge an additional $51,000 of first mortgage bonds as security for said note, and having reported that through inadvertence and mistake it originally asked permission to issue and pledge only $49,000 of bonds instead of $100,000, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue and deposit of the bonds herein authorized is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expense or to income;

It is hereby ordered, that Tidewater Southern Railway Company be and it is hereby authorized to issue $51,000 of its first mortgage bonds and to pledge them with First Federal Trust Company of San Fran-

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cisco to secure in part the payment of the $49,000 note referred to in this application.

The authority herein granted is subject to the following conditions:

1. The proceeds from the issue of the note, the payment of which is to be secured in part by the pledging of the bonds herein authorized, shall be used to pay the purchase price of the electric locomotive described in Exhibit "B" attached to the original petition.

2. Upon the payment of the note, or any portion thereof, all the bonds, or a proper proportion thereof, shall be returned to applicant's treasury, and thereafter not disposed of in any manner whatsoever, except as authorized by the Railroad Commission.

3. Applicant shall file with the Railroad Commission within thirty days after the issue and deposit of the bonds herein authorized a copy of the agreement under which the said bonds are deposited.

4. Tidewater Southern Railway Company shall keep such record of the issue and deposit of the bonds herein authorized as will enable it, within thirty days after such issue and deposit, to file with the Railroad Commission a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted to issue and deposit bonds shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

6. The authority herein granted shall apply only to such bonds as may be issued and deposited on or before July 30, 1921.

The foregoing first supplemental order is hereby approved and ordered filed as the first supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of April, 1921.

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Decision No. 8901.

THE MUNICIPAL LEAGUE

vs.

SOUTHERN PACIFIC COMPANY, THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY AND SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY.

Case No. 970.

CENTRAL DEVELOPMENT ASSOCIATION OF LOS ANGELES

vs.

SOUTHERN PACIFIC COMPANY, THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY AND SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY.

Case No. 971.

CIVIC CENTER ASSOCIATION OF LOS ANGELES

vs.

SOUTHERN PACIFIC COMPANY, THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY AND SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY.

Case No. 972.

CITY OF PASADENA

vs.

PACIFIC ELECTRIC RAILWAY COMPANY, SOUTHERN PACIFIC COMPANY, ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY AND CITY OF LOS ANGELES.

Case No. 974.

CITY OF ALHAMBRA

vs.

PACIFIC ELECTRIC RAILWAY COMPANY, SOUTHERN PACIFIC COMPANY, ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY AND CITY OF LOS ANGELES.

Case No. 980.

CITY OF SAN GABRIEL

vs.

PACIFIC ELECTRIC RAILWAY COMPANY, SOUTHERN PACIFIC COMPANY, ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY AND CITY OF LOS ANGELES.

Case No. 981.

CITY OF SOUTH PASADENA

vs.

PACIFIC ELECTRIC RAILWAY COMPANY, SOUTHERN PACIFIC COMPANY, ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY AND CITY OF LOS ANGELES.

Case No. 983.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC RAILROAD COMPANY, SOUTHERN PACIFIC COMPANY AND LOS ANGELES AND SALT LAKE RAILROAD COMPANY FOR APPROVAL OF AGREEMENT FOR JOINT TERMINAL FACILITIES IN LOS ANGELES, CALIFORNIA.

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Application No. 3346.

Decided April 26, 1921.

JURISDICTION—GRADE CROSSINGS—WITHIN INCORPORATED MUNICIPALITIES.—The State Supreme Court in *Civic Center* vs. *R. R. Com.*, 175 Cal. 441, held that the city of Los Angeles has the power to open, widen, extend and improve streets and to regulate the ordinary uses thereof. The Railroad Commission, under section 43 of the Public Utilities Act, has the power to make orders, which are binding upon the railroad companies under its supervision, to abolish grade crossings of the public streets of a city and to order a separation of grades so that the railroad and street shall not be upon the same level and generally to exercise the powers specified in that section. It cannot vacate the street or direct a cessation of the public use thereof. Its orders are to be directed to the railroad company and not to the city, except in so far as may be necessary to apportion the expense of construction and maintenance.

GRADE CROSSING SEPARATION—UNION TERMINAL—COST OF.—In the Commission's estimates a distinction is made between the costs of the various steps in the proposed ultimate plan. The final capital expenditures for all recommendations is estimated at $32,233,445, in connection with which, attention is called to the fact that this sum will be expended over a considerable period of time and if not expended in a unified plan, large individual expenditures will be necessary and in either case the burden of capital and operating costs must, in the end, be borne by the public.

GRADE CROSSING SEPARATION—UNION TERMINAL—NECESSITY FOR.—It is held that the greatest waste and greatest congestion in the railroad system are the terminals, and that unification of terminals should be carried out, wherever physically possible and where operating economies can be affected thereby. That terminal unification and grade crossing problems should not be disassociated and that the adoption of a plan providing for both problems is essential.

UNION PASSENGER TERMINALS—ESTABLISHMENT OF.—The Commission holds to be a statement of fact that the establishment of a union passenger terminal is largely a question of its desirability and of its cost; it is not entirely a railroad matter, but also one of public policy. The establishment of a union passenger depot is feasible and desirable and is necessary in Los Angeles, and the Plaza location is superior to other possible locations and the union passenger station should be located at that point.

PLANS—CONCURRENCE OF CITY NECESSARY TO.—As an initial step it is held that it will be necessary for the interested carriers to submit for the approval of the Commission detailed plans and estimates of the proposed union passenger terminal. The plans and estimates made by the carriers should be concurred in, or suggestions for modifications should be made by the city. The Commission will not approve or modify a plan until the plan fulfills, as nearly as may be, the joint and combined needs and desires of the interested parties.

Order made directing the defendants herein to file within sixty days plans for the separation of grades on Macy, Aliso and Seventh streets in accordance with specifications outlined, and within six months to file plans for a union passenger station to be located on what is known as the Plaza site. The apportionment of the cost of construction work to be hereinafter provided for by supplemental orders.

Gibbon and Shelton, for Municipal League of the City of Los Angeles, Central Development Association of Los Angeles, and Civic Center Association of Los Angeles.

Marshall Stimson, for Central Development Association of Los Angeles, and Municipal League of Los Angeles.

Seward A. Simons, for Central Development Association of Los Angeles.

Joseph Scott and *Edward D. Lyman*, for Los Angeles Chamber of Commerce.

John Munger and *J. H. Howard*, for City of Pasadena.

Albert Lee Stephens, Howard A. Robertson, Chas. S. Burnell, Jess E. Stephens and *H. Z. Osborne, Jr.*, for City of Los Angeles.

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T. D. McFadden, for City of San Gabriel.
William Hazlett, City Attorney, for City of South Pasadena.
A. S. Halsted, for Los Angeles and Salt Lake Railroad Company.
C. W. Durbrow and *George D. Squires*, for Southern Pacific Company.
E. W. Camp and *U. T. Clofelter*, for The Atchison, Topeka and Santa Fe Railway Company.
Frank Karr and *E. E. Morris*, for Pacific Electric Railway.
R. A. Rowan, for Los Angeles Realty Board.
Fred P. Gregson, for Associated Jobbers of Los Angeles.
F. L. Hilton and C. M. Lorraine, for City of Alhambra.
Gibson, Dunn and Crutcher, for Los Angeles Railway.
W. H. Workman, Jr., for Los Angeles City and County Viaducts Association.
Will D. Gould, President, for Northwest Improvement Association.
Charles W. Lyon, for City of Santa Monica and City of Venice.
Herbert J. Goudge, for Business Men's Association of Los Angeles.
W. C. Shelton, for Business Men's Co-operative Association.
R. W. Kelly, for Brooklyn Avenue and Malabar Improvement Association.
Leonard B. Slosson, for Municipal League of the City of Los Angeles.
George A. Damon, for City Planning Association.
Gordon G. Dunlop, Chairman of Los Angeles Conference of City Planning.
J. G. Wingert, for City of Whittier.
B. E. Page, for Business Men's Stability Association.

BY THE COMMISSION.

OPINION.

These seven cases and the applications, with the consent of the parties, were consolidated into one proceeding.

In the seven cases the various complainants have asked the Commission to make a comprehensive investigation into the entire railroad situation in the city of Los Angeles, to the end that there be brought about elimination of grade crossings, the consolidation and unification of the tracks of the various railroads, the establishment of a union passenger station, and better freight facilities, and the Commission is asked to make its orders for the execution of definite plans upon the completion of such investigation.

Application No. 3346 is a joint application by the Southern Pacific Company (hereinafter referred to as the Southern Pacific) and the Los Angeles and Salt Lake Railroad Company (hereinafter referred to as the Salt Lake) asking the Commission's approval of an agreement between the two companies providing for the joint use of the Los Angeles terminal facilities of the two roads, and also for the possible joint use of certain facilities by the Pacific Electric Railway (hereinafter referred to as the Pacific Electric) and for the construction and use by that company of certain new and additional facilities. The Los Angeles and Salt Lake Railroad Company is the same company referred to in some of these proceedings as the San Pedro, Los Angeles and Salt Lake Railroad Company.

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1. Review of Proceedings.

A brief history of these cases is necessary to an understanding of this proceeding. In July, 1915, several civic organizations of Los Angeles filed complaints against the Southern Pacific, the Salt Lake, The Atchison, Topeka and Santa Fe Railroad Company (hereinafter referred to as the Santa Fe), and the Pacific Electric, asking relief of the grade crossing evil and betterment of transportation facilities. These complainants were joined by a number of other civic and commercial organizations, and by several municipalities in the neighborhood of Los Angeles until, in August, 1916, there were before the Commission the seven complaints consolidated in this proceeding and a considerable number of informal complaints. In July, 1916, upon the request of the city council of Los Angeles, the Commission, in an informal conference with the city council, discussed the grade crossing, freight and passenger terminal conditions in Los Angeles and, at the conclusion of the conference, the city council voted to contribute twenty thousand ($20,000) dollars toward the expense of a complete and thorough investigation to be made by the engineering department of the Commission.

(*a*) *The question of jurisdiction.*

The question of the Commission's jurisdiction was raised by the railroads and by the city of Los Angeles (hereinafter referred to as the city). In a hearing on this question of jurisdiction on September 15, 1916, all of the parties, except the city, urged that the Commission had specific jurisdiction over the issues presented. The city took the position that jurisdiction over all railroad grade crossings in Los Angeles was in the city and not in the Commission.

In October, 1916, the Commission rendered Decision No. 3805 dismissing all proceedings. This action was taken for the reason that, while in the Commission's opinion the jurisdiction in the matters involved, under the terms of the Public Utilities Act, rested with the Commission, nevertheless the investigation asked for required the expenditure of so considerable an amount of public money and was of such great importance to the communities and the carriers involved that, in the Commission's opinion, no action should be taken until it was definitely established where jurisdiction rested in the premises. All of the parties were in agreement with the position taken by the Commission.

The matter was taken to the Supreme Court of the State of California by two writs of mandamus. The Supreme Court made its decision in both mandamus proceedings on June 11, 1917, upholding the position of the complainants and the Commission, and decided that the Commission had exclusive jurisdiction over the construction and opera-

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tion of railroads on streets in the city of Los Angeles (*Civic Center Association* vs. *Railroad Commission*, 175 Cal. 441). The Court said:

The effect upon the present case may be stated as follows:

The city of Los Angeles has the power to open, widen, extend and improve streets and to regulate the ordinary uses thereof. The Railroad Commission, under section 43 of the Public Utilities Act, has the power to make orders, which are binding upon the railroad companies under its supervision, to abolish grade crossings of the public streets of a city and to order a separation of grades so that the railroad and street shall not be upon the same level and generally to exercise the powers specified in that section. It cannot vacate the street or direct a cessation of the public use thereof. Its orders are to be directed to the railroad company and not to the city, except so far as may be necessary to apportion the expense of construction and maintenance of the particular mode of crossing which shall be required. The city has the power to alter the construction of its streets at such crossings, or any of them, by elevating them upon a viaduct so as to pass over the railroad or by making a subway passing under the railroad. In either case, if the change in the street does not interfere with the operation and use of the railroad at the time, the Commission cannot prevent the change and it may be made without the consent of the Commission. But if it does interfere, either at the time or afterward, whether by natural causes or lack of repair of the street as changed, or by reason of changes in the construction or use of the railroad subsequently directed or approved by the Commission, the city must conform to the orders of the Commission so as to avoid such interference.

It is ordered that the Railroad Commission proceed to consider and determine, upon the merits, the complaints made to it by the plaintiffs herein, and that a writ of mandate be issued to it in accordance herewith.

The city thereupon filed a petition for rehearing. This petition was dismissed by the Supreme Court and the matter of jurisdiction is considered as settled by the Commission.

(*b*) *Engineering investigation.*

Immediately after the order of the Supreme Court dismissing the city's petition for rehearing, the Commission in public hearing made arrangements for the necessary engineering investigation. The Commission stated (Transcript page 128):

As is usual in formal complaints, the complainants will be permitted to introduce their evidence and then the defendants will present their testimony.

The Railroad Commission proposes to conduct a thorough, comprehensive, and impartial investigation into the entire situation. The Commission will instruct its engineering department to make an exhaustive investigation and to prepare a report which will thereafter be introduced as evidence in these proceedings. Until this report has been prepared and introduced, and all the parties have had a fair opportunity to present their evidence and to cross-examine witnesses, no conclusion will be reached.

* * * * * * *

I assume that it will be entirely unnecessary to say that the Railroad Commission approaches this case, as every other case, with an absolutely open mind and with an earnest desire to ascertain all the facts, so that a just and constructive solution of the problem may be reached. It is our intention to view this problem in the largest possible aspect and to reach a conclusion which will serve the needs not merely of today, but also of the future. The people of the city of Los Angeles and the surrounding communities and railroads are entitled to an exhaustive and thorough consideration of the problems here presented and such consideration they will receive from the Railroad Commission.

In this work, which will mean so much to the people of this community and the surrounding communities, as well as the railroads, the Railroad Commission, of course, expects the fullest consideration and cooperation from all parties—the complainants, the railroad companies, and the public authorities.

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In December, 1917, public hearings by the Commission were continued until further notice pending the completion of the report which the Commission had instructed its engineering department to make.

(c) *Federal control.*

Shortly after the assumption of operating control of the country's railroads by the federal government, the United States Railroad Administration issued its general order for the unification, as far as possible, of railroad facilities, including terminals in cities. Los Angeles was one of the cities whose terminals the Director General of Railroads desired to unify. He made request on this Commission to give him the benefit of its investigation and its recommendations in the Los Angeles grade crossing and terminal situation. As a result of this request, the Commission's engineering department made two reports, the first one in September, 1918, and the second in January, 1919. Both of these reports contained recommendations that could be put into effect during federal control and calculated to improve certain unsatisfactory traffic and grade crossing conditions, with the effect of considerable immediate savings in operating costs. While the recommendations in the first report were urged upon the Director General by the Commission alone, the proposals in the second report were the joint recommendations of the Railroad Administration's own engineers (who had been assigned to this problem by the Director General) and the engineers of this Commission.

These emergency recommendations, looking towards temporary unification of transportation facilities as a war measure, ceased to be controlling with the end of the war. With the railroad emergency passed and with the termination of federal control in sight, it was possible again to look towards the permanent rather than a temporary solution of the Los Angeles grade crossing and terminal problem, and the Commission's engineering investigation was continued on that basis.

(d) *Completion of engineering investigation and subsequent proceedings.*

In July, 1919, the investigation by the Commission's engineers was completed and the chief engineer made his report to the Commission. This report was printed and distributed to all of the parties to these proceedings and was also made generally available.

At a hearing held February 17, 1920, the Commission arranged for a conference of engineers representing all interests to study the engineering department's report and to ascertain those matters on which there was agreement and those on which there was disagreement, asking the engineering conference to report to the Commission and give its reasons for the disagreements, if any. After a hearing on April 22,

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1920, the Commission decided to withhold from consideration by the engineering conference questions of policy, apportionment of costs, operating agreements and financing.

The engineering conference made its report to the Commission on August 13, 1920, and a number of further public hearings were thereafter held until the proceeding was submitted.

A large number of exhibits were filed by the various parties to these proceedings. Much testimony was taken and witnesses for the complainants, the defendants, and the Commission were examined and cross-examined at great length. Arguments by counsel were heard by the Commission and briefs were filed, and the matter is now ready for a decision.

Since it will become necessary in this and in probable future decisions in this proceeding to make reference to some of the numerous exhibits introduced in these cases, a complete list is attached to this decision as Appendix "A."

2. Results of Commission's Engineering Investigation.

(*a*) *Commission's Exhibit No. 1.*

Commission's Exhibit No. 1, entitled "Report on Railroad Grade Crossing Elimination and Passenger and Freight Terminals in Los Angeles," by Richard Sachse, chief engineer, and dated July 31, 1919, contains the results of the investigation made by the Commission's engineers. As stated above, this report was printed and distributed not only to the parties in this proceeding, but to others interested in this matter.

The report goes exhaustively into all of the engineering matters before the Commission in these proceedings and deals with the following main divisions:

(a) Grade crossing elimination,

(b) Union passenger terminal,

(c) Joint main line and industrial trackage,

(d) Improvement and possible rearrangement of freight and facilities,

(e) Electric interurban, street railway, and automobile traffic,

(f) City streets, viaducts, and bridges, and the relation of the transportation problem to the general subject of city planning.

Again, the engineering investigation distinguishes between:

(a) Work to be done within the city limits of Los Angeles,

(b) Work to be done outside the city limits of Los Angeles.

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The work contemplated is dealt with in the report under the "unit system," and a program is laid down for—

(a) Work to be commenced and carried out immediately after a plan has been adopted,

(b) Work to be carried out later, and

(c) Work for the more distant future.

It will not be possible, in this decision, to review Commission's Exhibit No. 1, even in a summary way, and only the conclusions and recommendations of the chief engineer, contained in this letter to the Commission, of July 31, 1919, will be here quoted.

It will be convenient to give to the Commission in this letter our conclusions in the three main branches of the investigation (possibility of grade crossing elimination; desirability, location and plan for a union passenger terminal; possibility for improvement in the freight situation) and in the matters related to these three main branches.

Grade crossing elimination.

This is the most important of the three subjects and is the one that is of the most vital importance to the public and to the railroads. It is also the controlling engineering element in the entire report and, to a large extent, governs the solution of the union terminal and freight problems. We believe that all complaints against the unsatisfactory grade crossing conditions in Los Angeles, within the scope of this report, can be satisfied and that a permanent solution of the problem can be had by the adoption of our recommendations. These are:

1. Eliminate all important grade crossings on both banks of the Los Angeles River through the depression of the railroad tracks and the elevation of the streets by means of the improvement of existing, and the construction of new, viaducts across the river and across the tracks adjacent to the river. The streets to be so treated are North Main, Macy, Aliso, East First, East Fourth, East Seventh and East Ninth streets. The North Spring street crossing is to be entirely eliminated and Alhambra avenue crossing is to be protected by an improved interlocking plant. The recommendations should be carried out substantially in the order and according to the plans given in this report.

2. Allow tracks to remain on Alameda street but eliminate all (except approximately 3 per cent) of the present railroad traffic by diversion to better channels. The remaining traffic (consisting of switching service) is to be handled at night between Macy and Ninth streets. Eliminate all main line traffic from Alameda street.

3. Bring about the elimination of Sixty-first street, eight electric railway, and two steam railroad crossings by the adoption of the Santa Fe plan for an improved line between Los Angeles and Pasadena. Bring about the elimination of an additional twenty-eight grade crossings on the Salt Lake Railroad by requiring that road to join in the construction and the use of the proposed Santa Fe line and by the abandonment and removal of its present tracks between the termini of the proposed lines. If, in addition to the existing rapid transit lines, a municipal electric line should be built between Los Angeles and Pasadena, this line should be located on the same right of way (additional width to be acquired) and should be combined with the Santa Fe and the Salt Lake between Los Angeles and Pasadena.

4. Depress Santa Fe avenue and raise the Butte street tracks to eliminate the grade crossing at Butte street and Santa Fe avenue.

Union passenger terminal.

After a most exhaustive consideration of all arguments for and against a union passenger station in Los Angeles, we have come to the conclusion that the establishment of such a station is desirable both from the standpoint of the public and from the standpoint of the railroads, that the cost is justified and that the project can be financed. The reasons for this conclusion are given in detail in the body of the report.

We have found three sites adapted to the location of such a station, viz: The Plaza site, the Santa Fe station site, and the Southern Pacific station site. Detailed plans and estimates have been worked up by us for each of these locations, and the

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recommendations contained in the report have been fitted to each of the plans. Of the three plans, the Plaza plan is the best and it is our recommendation that the Commission order the establishment of a union passenger station at this site substantially in accordance with the plan we have developed.

Freight.

We believe that the matter of proper freight facilities is of even greater importance to the city of Los Angeles than the matter of steam railroad passenger facilities. It is our conclusion that freight traffic conditions are not unsatisfactory and that no far reaching recommendations are necessary to bring about such further improvements as appear to us desirable. Our recommendations in this connection are:

1. Tracks should not be removed from Alameda street at this time, but all possible traffic should be removed from that street (see recommendation No. 2 above).

2. The so-called "Santa Fe alley spur" should be removed north of Butte street.

3. Dealing with switching service and spur tracks for the future, we recommend that:

(a) New permits be not granted for industry tracks longitudinally in the streets.

(b) All tracks now longitudinally in the streets be confined to industrial purposes only and be removed as soon as better access to the industries served can be obtained.

(c) All spur tracks to be built in general easterly and westerly direction from the river banks and not across east and west streets unless, by such construction, the crossing of important north and south streets is avoided.

4. The establishment of a union freight station for less than carload freight at the Santa Fe freight yard site on Santa Fe avenue from First to Seventh streets is recommended. The present Santa Fe freight station is to become a part of this union freight station. This we consider a very important recommendation and one that will be of great and permanent benefit to the railroads and to the shippers in Los Angeles.

5. The establishment of team yards along the east side of Alameda street is recommended, as outlined in the report.

6. We recommend the construction of new freight yards farther away from the industrial district. A new yard is recommended for the Southern Pacific, following the plans of this road, along the San Fernando road, and a new yard for the Santa Fe is recommended on the Fullerton line just east of Hobart, on land already acquired.

Related recommendations.

Related to the foregoing recommendations are certain other matters that are either before the Commission in various applications consolidated with this proceeding or that are important factors in the terminal problem and that fall within the scope of this report.

1. *Union passenger station and electric interurban service*: If our recommendation for the establishment of a union passenger station at the Plaza is adopted by the Commission, we recommend also the construction of a subway from the present Pacific Electric station at Sixth and Main streets northerly along Main street to and under the passenger station, changing to an elevated railroad along Ramirez street and meeting the present line at the Aliso street bridge. This line from here would continue as an elevated railway to Brooklyn avenue where the present tracks and grade would be met. This subway construction along Main street should be undertaken within the next five years.

The present elevated Pacific Electric structure in the rear of the Main street station should be extended to Alameda street and thence south to Fourteenth street.

We realize that this is a far-reaching recommendation but believe it justified and essential in the interest of transportation and city development in Los Angeles, for reasons given in the report.

2. *Continuation of consolidated uptown ticket office*: This matter is related to our recommendation for a union passenger station. We urge that the existing consolidated uptown ticket office be continued, pending the establishment of a union passenger station after the railroads return to private control. This recommendation is made because the present arrangement instituted by the United States Railroad Administration has proved satisfactory in every respect to the public and to the railroads.

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3. *Application No. 3346* (Southern Pacific Company and Salt Lake Railroad for approval of agreement covering joint terminal facilities): It follows as a result of the recommendations contained in this report that this application should be dismissed.

4. *Application No. 2962* (Industrial Terminal Railway to issue stock for the construction of a switching and terminal railway): This application should be dismissed for the same reasons, although it will probably appear that with the adoption of our recommendations another application of this nature will likely be filed later on in a modified form.

5. *Application No. 3057* (Los Angeles and Salt Lake Railroad Company for authority to establish fourteen grade crossings in order to enable the construction of a freight terminal on Alameda street): We recommend that this application be denied since our recommendation for a less than carload union freight station at the Santa Fe site will take care of all such freight requirements.

6. *Case 938* (Interlocking at Aliso street and the Los Angeles River): In this case the Commission made its order directing the installation of an interlocking plant to control the Pacific Electric Railway, the Santa Fe and the Los Angeles and Salt Lake roads at this point. A supplemental order was later issued holding the matter in abeyance pending the completion of this report. Since our recommendations for the separation of grades and for a union passenger station will eliminate this crossing, the construction of this interlocker will not be necessary. An order should be issued to this effect after the adoption of our recommendations.

7. *Pairing of Southern Pacific and Salt Lake tracks between Los Angeles and Colton*: The recommendation for such pairing of tracks was made to the Director General jointly by the engineers representing the federally controlled railroads and by the Commission. Although this recommendation is very clearly to the benefit of the interested railroads and although the improvement can be made with very small expenditure and although an annual saving in the cost of operation was estimated at $173,025 (and this estimate has in the meantime increased), nothing has been done to carry out this recommendation. We can see no reason and have no explanation for the inaction on the part of the United States Railroad Administration. The recommended plan will work perfectly with our recommendations and we again urge that the proposed pairing of tracks as outlined in the report be put into effect by the action of this Commission as soon as the operating control of the roads is released by the Federal Government."

Detailed cost estimates for the work included in these recommendations are contained in Commission's Exhibit No. 1. In these estimates, distinction is made between the costs of the various steps in the proposed ultimate plan, with the ultimate capital expenditure for all recommendations estimated at $32,233,445. Referring to this grand total, the report states:

"While a capital expenditure of over $32,000,000 seems large, it should be remembered that this money is to be expended over a term of years. In any event, whether the foregoing recommendations are adopted or not, very large capital expenditures aggregating probably in the neighborhood of the sum estimated by us will become necessary in the near future if the transportation of Los Angeles is to keep pace with the growth and the industrial and business development of the city. The choice is not between a large expenditure if these recommendations are adopted and a small one if they are not adopted: it is rather between an adequate and carefully planned development without wasteful expenditures and a haphazard growth dictated, in the main, by private interests from the standpoint of each individual road. In either case the burden of capital and operating costs must, in the end, be borne by the public.

It is impossible to estimate in dollars the direct and indirect savings and benefits through the carrying out of these plans that will accrue to the railroads, to the passengers, and to the shippers, and also to the people and enterprises affected by transportation conditions. We have no hesitation in saying, however, that, from the financial standpoint alone, the proposed expenditure is justified."

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(b) The engineering conference.

There was opposition to and disagreement with, principally on the part of the railroads, certain of the conclusions and recommendations contained in Commission's Exhibit No. 1. This disagreement involved also what seemed to the Commission questions of fact and, in order to have the fullest information on all important engineering matters, it was decided to refer Exhibit No. 1 to a conference of engineers representing all parties.

Instructions were given to the engineers to carry this conference forward for the purpose of establishing, as clearly as possible, all matters of agreement and disagreement and to lay before the Commission the conference's views on the information and recommendations contained in this exhibit. In the course of the conference's activity, the question of the scope of its work arose and this matter was settled by the Commission's instructions issued as a result of the hearing held on April 22, which read as follows:

"The following instructions should govern the work of the engineering conference appointed to study the Los Angeles terminal report:

(1) The conference should consider the following engineering matters on the basis of the engineering department's report:

(a) As regards grade crossing elimination and freight improvement, ***all matters of design, track layout and arrangement of facilities.***

The matter of a passenger terminal is to be handled as follows: The conference is *not* to recommend the location of a union passenger terminal; nor is it to report on the policy of establishing such a terminal. It is to report on the three plans for passenger terminals set forth in the Commission's engineering department's report *as to design, track layout, cost estimates, and operation.*

(b) *Matters of unit costs and estimates for the work proposed* under the various subdivisions of the report.

(c) *Matters of the advantages and the disadvantages of possible locations of the structures and facilities* contemplated in the report, including grade separations and freight facilities.

(d) *Matters dealing with* proposals and recommendations on *electric transportation* and recommendations affecting *interurban rapid transit and street railway traffic.*

(e) Matters of operation and traffic, including street, electric and steam railway traffic and all other traffic in so far as it is affected by the problems under consideration.

(2) The engineering conference is not expected to deal with the following matters:

(a) Apportionment of costs between the various parties.

(b) Traffic arrangements and operating agreements as between the various parties.

(c) Methods of financing.

(3) The Commission would like to have the conference report on the matters on which there is agreement between the engineers and on the matters on which there is disagreement, with reasons for the disagreement, if possible."

The engineering conference, in which twenty-two representatives of the various parties and three engineers of the Commission participated, divided its work among six subcommittees—grade crossing, union passenger terminal, freight, rapid transit and street railways, estimate, and electrification. These subcommittees reported their conclusions and these, together with the summarization by the Commission's chief

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engineer and certain exceptions taken by individual engineers, were introduced as Commission's Exhibit No. 2.

It may be said that the result of the engineering conference was an indorsement of the recommendations of the Commission's engineers, with certain changes and modifications in the proposed plans and with a revision of the cost estimates, due mainly to a revision of prices and costs as of March, 1920, reflecting the increased costs of labor and materials. This indorsement of the recommendations in Commission's Exhibit No. 1, however, was not unanimous, the Southern Pacific-Salt Lake-Pacific Electric engineers remaining in opposition to any plans not in conformity with the proposals advocated by this carrier group. The plans of these three interested railroads will hereafter be discussed. As a result of the study made by the engineering conference, the Commission's engineers revised certain of their plans and adopted a number of suggestions made by the conference. These revisions and changes are set forth in Commission's Exhibit No. 2.

3. The Position of the Railroads.

There are involved in these proceedings all of the steam and electric railroads operating in Los Angeles. The two steam lines, the Southern Pacific and the Salt Lake, and the interurban electric and street railway, and Pacific Electric occupy, in general, the same position on the major questions concerned in these cases. The Santa Fe occupies an independent position and the Los Angeles Railway, the local street railway, is affected and interested to only a minor degree.

(*a*) *The Southern Pacific-Salt Lake-Pacific Electric position.*

The view of these three carriers is set forth in the brief filed by counsel for the railroads. Substantially, it is as follows:

It is denied that the Commission has jurisdiction to order the joint use of tracks or terminal facilities of interstate railroads.

The freight terminal and industrial situation as it now exists in Los Angeles is satisfactory to all concerned.

Complete grade elimination may be effected under the Southern Pacific-Salt Lake plan.

The Commission's engineers' plan for relieving interurban traffic is impracticable.

The elimination of grade crossings will cost less under the Southern Pacific-Salt Lake plan than under any other plan.

Public interest does not require the establishment of a union passenger terminal, the question of expense is controlling and the expense of a terminal at the Plaza is prohibitive.

The adoption of the Southern Pacific-Salt Lake-Pacific Electric plan meets the requirements of the traveling public, the city and the carriers.

The Southern Pacific-Salt Lake plan, as it was placed before the Commission in Application No. 3346 and modified subsequently by the railroads, as shown on the so-called Titcomb plan, provided substantially for the joint use of the present Southern Pacific passenger station at Fifth and Alameda streets and for joint use of Salt Lake trackage on the east side of the Los Angeles River, together with elevated track

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connections commencing in the vicinity of Sixth and Alameda streets and running easterly and by bridge across the Los Angeles River to a connection with the tracks of the Salt Lake. Provision is also made for a proposed passenger train car yard to be located on property of the Salt Lake company, and for an ultimate joint interchange yard, upon property of the Southern Pacific, between Dayton avenue and Aliso street.

The agreement also provides that the Salt Lake shall grant to the Southern Pacific, for the sole use of the Pacific Electric, without rental therefor, a right of way for the construction and operation of a double-track electric railway on the Salt Lake right of way, along the east bank of the river. It contemplates the continuation of the present Pacific Electric elevated structure from San Pedro street easterly to Alameda street. At Alameda street, the Pacific Electric tracks would cross over the Southern Pacific steam elevated railroad, involving what may be called a "two-story crossing." West of Alameda street, the Pacific Electric tracks would run parallel and adjacent to the Southern Pacific tracks across the river to the right of way to be acquired from the Salt Lake to a connection with the present line. The construction and rearrangement of numerous facilities are made necessary and are contemplated in this plan.

The plan itself and the agreement between the railroads do not make provision for a comprehensive elimination of grade crossings. The three roads declare themselves in general agreement, however, with the general plans shown in Commission's Exhibit No. 1, for the separation of grades.

The Southern Pacific is opposed to the Santa Fe's use of the proposed Southern Pacific-Salt Lake union passenger depot.

The position of the Pacific Electric was stated by its President, Mr. Paul Shoup, who declared:

> Our position is tied up absolutely, speaking as a Pacific Electric officer now, with the Southern Pacific and Salt Lake plan, and none other is acceptable or would be acceptable to us among the plans presented.

It may be stated, therefore, that the position of these three railroads is in favor of the grade crossing elimination program as developed by the Commission's engineers, and is in favor of a joint passenger station, provided that such a station is located at the point selected by these railroads and provided the joint track and other facilities are constructed in accordance with the railroads' plans; and further provided that the Santa Fe has no part in such joint use. These three roads are opposed to any proposals that are in conflict with these proposed arrangements.

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(*b*) *The Santa Fe's position.*

The Santa Fe is in favor of a separation of grades under a reasonable plan in general agreement with the plan outlined in Commission's Exhibit No. 1.

The company calls attention to the necessity of careful consideration in the final adoption of grade separation plans of the flood conditions of the Los Angeles River and the necessity of lowering the Santa Fe main line tracks, and, especially, to the importance of a proper division of the expense. A separation of grades between Los Angeles and Pasadena this company believes to be a matter for the future, because of the large expense involved.

The Santa Fe is opposed to a union freight station for handling less than carload business.

In the matter of a union passenger station, the counsel stated the view of the railroad as follows:

"COMMISSIONER EDGERTON: Well, Mr. Camp, if there was—and I only say this to get an expression of position from you—if it was decided that the union terminal passenger station was advisable, which of the various ones suggested does the Santa Fe prefer?

"MR. CAMP: Well, of the three which Mr. Sachse says are the only three which have been proposed, I understand that we would not prefer but we would dislike least the Plaza. But we are very far from standing here and advocating the Plaza site. We are not at all. And it does seem to us that the Commission could leave that to the very indefinite future, go ahead with the elimination of grades. Now, the first proposition, as I understand it, is to eliminate grade crossings at Aliso and at Macy streets, and that can be done without any reference to any union terminal station, passenger or freight. Why shouldn't it be done? And then discuss the terminal proposition at our leisure, say somewhere about 1935, or something of that sort."

(*c*) *Position of civic organizations.*

The *Business Men's Association* is in favor of the ordering by the Commission of steam railroad crossing elimination along the river and approves of the Salt Lake-Southern Pacific-Pacific Electric plan substantially as presented by these roads, and opposes the establishment of a union L. C. L. freight station.

The *Central Development Association of Los Angeles* indorses in all essentials the plans and recommendations of the Commission's engineers in Exhibit No. 1 and urges an order by the Commission adopting these plans and providing for successive steps for their consummation. A similar position was taken by the *Los Angeles City and County Viaducts Association*, the *Northwest Association*, the *Brooklyn Avenue and Malabar Improvement Association* and by the *Civic Center Association.*

The *Business Men's Cooperative Association* is in favor of the adoption of a comprehensive terminal and grade crossing plan and indorses the recommendations contained in Commission's Exhibit No. 1, especially as to the items of grade crossing elimination and union passenger terminal. This association, as also the organizations mentioned in the

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preceding paragraph, is opposed to the Southern Pacific-Salt Lake-Pacific Electric plan.

The *Municipal League of Los Angeles* suggests a further investigation, by the Commission, of a possible additional site for a union passenger station (at Sixth street and the east bank of the Los Angeles River), which has not been reported on by our engineers, and on which no plans or estimates, except general sketches, are before the Commission. The Municipal League, however, has indorsed and is in favor of the grade crossing elimination plans in Commission's Exhibit No. 1.

(*d*) *Position of the city.*

Throughout these proceedings the city has maintained the position that an impartial and reliable investigation of the problems included in these cases should be made and that a program for their solution should be adopted based strictly on the merits of each feasible plan. The city urges that the Commission give due consideration to the necessity and convenience of the traveling and local public in Los Angeles and of the needs of the city as an important freight traffic center. The city also urges that the growing importance of Los Angeles, measured by the increasing population and industry, should be kept in mind and that relief be planned having regard to the reasonable needs of the future.

From this standpoint the city authorities and the city departments worked in close cooperation with the Commission's engineers during the investigation. The fact of the city contributing a considerable portion of the cost of the investigation further substantiated this position. The city has expressed its desire to further cooperate with the Commission in bringing about the realization of such plans as may be adopted and has offered to assume its share of the necessary cost. The city's attitude has been expressed by the city council in formal resolutions after submission of the case, from which we quote:

WHEREAS, For some years the matter of eliminating grade crossings and coordinating and readjusting the transportation lines of the city of Los Angeles, so that the same shall represent modern, up-to-date, convenient and safe transportation in the city, has been before the public of the city and surrounding municipal communities, and during that time considerable money has been spent by the city to secure the opinion upon the matter of numerous experts; and

WHEREAS, The city has obtained the opinion of the great municipal transportation expert, Bion J. Arnold, of Chicago, upon the matter, and that opinion specifies as a necessary factor in accomplishing these purposes the creation within the city of Los Angeles of union passenger and freight stations; and

WHEREAS, Later a commission appointed by the city, consisting of three able and impartial engineers, announce that in their judgment the creation of joint passenger and freight terminals was necessary to the solution of these problems; and

WHEREAS, Finally, at a cost of $20,000 to the city, the matter was taken up with the State Railroad Commission for investigation and determination, and the engineering experts of the Commission have, after many months of investigation rendered an elaborate and costly report in which they also found that the creation of passenger and freight terminals were necessary to the accomplishment of the above mentioned purposes; and

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WHEREAS, The City Planning Commission, recently appointed by the council for the purpose of making plans for the systematic development of our city along lines which shall provide for civic beauty as well as civic convenience and necessity, finds itself unable to enter upon the making of said plans until the matter of abolishing grade crossings and coordinating our city transportation service in union stations is decided upon and the same are definitely located; therefore, be it

Resolved, That the State Railroad Commission is informed that it is the judgment of this body that these matters should be decided upon as soon as possible, and that their decision, in accordance with the universal findings of the above mentioned engineering experts, should provide for the establishment of both union passenger and freight stations in the city of Los Angeles, and no other solution will satisfy this council.

(From resolution of city council of August 30, 1920.)

And, further from resolution of city council of November 3, 1920:

"WHEREAS, The chief engineer of the State Railroad Commission has appeared before this council and explained in detail to it his report to the State Railroad Commission; and

WHEREAS, This council is deeply interested in having the State Railroad Commission decide the matter before it in a way which will best serve the interests of the city of Los Angeles, by the most complete elimination of railroad grade crossings and by providing the most efficient and comprehensive coordination of the transportation facilities of the city in a way which will best serve the present interests of the city and will most effectively provide for the entrance of other railroads desiring to build to the city in the future as well as for the extension of the present Harbor Terminal Railroad now owned by the city to a union station in the city to the end that our great and rapidly growing city shall, for both the present and the future, have the most efficient transportation service; and

WHEREAS, The city council, knowing that the State Railroad Commission has had the services of the best engineering experts and has, with the assistance of such experts, gone into the whole matter in a most complete and exhaustive manner, and we have the fullest confidence in the judgment and honesty of the Commission and its capacity to render a decision which will best serve the interests of all concerned; now, therefore, be it

Resolved, That in view of the great importance of this matter to our city, we respectfully request of the State Railroad Commission as prompt a decision as is compatible with existing conditions, in order that proceedings may be speedily begun toward relieving the dangerous and intolerable conditions now existing; and be it further

Resolved, That this council desires to assure the State Railroad Commission of its readiness and willingness to cooperate with the Commission in any and every way in carrying out its findings and recommendations; and be it further

Resolved, That the city attorney be instructed to file no brief with the State Railroad Commission, either advocating or criticising any of the various suggestions made to said Commission in the hearings of these cases."

Aside from the official position of the parties to this proceeding, there have been filed with the Commission numerous resolutions by chambers of commerce, improvement associations, civic and commercial organizations, and by local authorities of communities adjacent to Los Angeles indorsing or condemning the so-called Southern Pacific-Salt Lake-Pacific Electric plan and also indorsing or condemning all or part of the recommendations made by the Commission's engineers and by the engineering conference.

4. Conclusions of the Commission.

There can be no doubt that the issues before the Commission have had a most thorough and impartial consideration and that every party

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represented has had the fullest opportunity to present its claims and to develop the advantages and weaknesses in any of the plans that have been presented. It is also apparent that the pending matter involves many technical questions which must be decided upon findings of fact made by technical men. Aside from the technical questions, a comprehensive program depends for its fulfillment to a great degree upon action within jurisdiction of the city, especially in so far as the matters of vacating or opening of city streets are concerned and in the matter of making available such portion of the cost of improvements as the city should bear.

The attitude of the carriers is quite clear. They are concerned with their own individual plans and there is no prospect that they will cooperate on their own accord to bring about a unification of transportation facilities with a view to reducing operating expenses or bettering the service and they are opposed to the adoption of a unified plan that will lay down the lines of their development in Los Angeles for the future.

The carriers are opposed to any considerable expenditures of new capital and this is a matter that must be given careful thought by this Commission. It is clear, however, that large expenditures will have to be made by all the carriers, the steam railroads, as well as the Pacific Electric, for urgently needed betterments, regardless of whether these expenditures are made by each railway in pursuance of its individual plans or whether they are made jointly in the working out of a unified plan. While we are mindful, therefore, of the fact that the question of cost in the last analysis may be the determining factor, we cannot ignore the other fact that large capital expenditures have to be incurred in any event by the railroads and by the city. The conclusion is reached in Commission's Exhibit No. 1 that the choice is not between a large cost if a unified plan is adopted, as against a small one if no plan is followed. The choice is between an adequate and well planned development, on the one hand, and between inevitable wasteful expenditures and a haphazard growth dictated by the interests of the individual roads, keeping in mind that in either case the burden of capital and operating costs must, in the end, be borne by the public.

The soundness of this conclusion has been confirmed by the testimony of all witnesses in this proceeding and we have no doubt of the superiority of a well thought out plan to take care of the present and future transportation needs of Los Angeles, as compared with haphazard competitive development, provided it is possible to carry out such a plan at a reasonable cost.

This opinion is in accordance with the conclusions reached not only by every technical and expert study made in recent years in similar

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terminal problems elsewhere in the United States, but it is also the view adopted by the owners of the railroads themselves. The recognition of the necessity that in the future we must have in this country unified railroad terminal development in the larger cities has been definitely incorporated by Congress in the new Transportation Act. It is in that act also recognized that it will not be sufficient to leave the necessary terminal unification to the carriers alone. Power is given the Interstate Commerce Commission in the Esch-Cummins Act to order terminal unification.

This, it seems to us, is a sound and inevitable development. With the present relation between the railroads and the people, whereby the government undertakes to fix rates under a prescribed system designed to give to the railroad as nearly as may be a guaranteed income, in addition to a guaranteed reimbursement of operating expenses, it seems self-evident that every effort must be made to furnish the best possible transportation facilities at the lowest possible cost. It has been amply demonstrated in recent years that the points of greatest waste and greatest congestion in the railroad system are the terminals. We believe, therefore, that unification of terminals, wherever such unification is physically possible, and wherever operating economies can be effected, is bound to come and is only a question of time.

Applying these considerations to the proceeding before us, it is also evident that the elimination of grade crossings in the heart of the city, along the banks of the Los Angeles River, and on the main lines approaching the city can be accomplished with greater certainty and at less cost than if grade crossing elimination is imposed upon each separate railroad as a separate undertaking.

The conditions in Los Angeles for a unified treatment of the railroad problem appear to be almost ideal. This is the conclusion in this proceeding, not only of the Commission's engineers, of the engineers of the city of Los Angeles, and the engineers representing parties other than the railroads, but the same conclusion was reached in investigations made by other engineers in years past. Similar decision was reached by a committee appointed by the mayor of Los Angeles upon the request of the public utilities committee of the council to study this question on the basis of Commission's Exhibit No. 1. This committee, after an exhaustive study, made the following final recommendations in its report to the mayor and to the city of Los Angeles:

"*First*—The immediate abolition of grade crossings by carrying out the design of depressed tracks along the river banks, and the building of a union passenger station at the Plaza, and the development of a multiple system of L. C. L. freight terminals, in general accord with the design set out in the report; and

Second—That the city join with and continue to cooperate with the State Railroad Commission in carrying out the plans for the above mentioned design, as set out in the report of the chief engineer of the Railroad Commission, accompanying his letter of transmittal of July 31, 1919."

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The engineers of all the steam railroads involved in this proceeding, who have taken part in this investigation as employees of the individual carriers, but who, during federal control, were employees of the United States Railroad Administration, then expressed themselves as in agreement with the principle of terminal unification and so reported to their respective superior federal officers.

We believe that the terminal unification and the grade crossing problem should not be disassociated and that the adoption of a plan providing for both problems is essential.

(a) *Grade crossing elimination.*

There appears to be no disagreement as to the necessity and urgency for the elimination of the railroad grade crossings on both banks of the Los Angeles River and along Alameda street. Neither is there any material dispute as to the method to be employed to bring about the elimination of the river grade crossings. To remedy the Alameda street situation requires changes in the existing passenger and freight facilities and there is some dispute as to the methods to be followed to eliminate these crossings.

All parties appear to agree that the program and method for grade crossing elimination proposed in Commission's Exhibit No. 1 is a feasible and sound one. It remains to determine what should be the first step in the crossing elimination plan and, after definite and detailed plans for the elimination of the separate crossings have been filed with and accepted by the Commission, to apportion the cost to the interested parties.

Traffic studies made by our engineers, and reported in Commission's Exhibit No. 1, indicate that in 1917–18 about 65,000,000 people annually crossed the Los Angeles River and the tracks of the Santa Fe on the west side and of the Salt Lake on the east side, adjacent to the river, divided as follows:

	People per annum
Over present 5 grade crossings	33,000,000
Over present 4 viaducts and bridges	32,000,000
Total	65,000,000

The railroad traffic at the time of the investigation amounted to about 560 train movements each day, from 6 a.m. to 8 p.m., or at least 600 movements for 24 hours for the five existing grade crossings mentioned. On Seventh street the crossing gates were found closed as much as 19 per cent of the daylight hours.

Numerous accidents have occured on these crossings and the delay to vehicular traffic and to interurban electric cars, as also to street

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cars, is serious. There is no dispute that public safety, necessity, and convenience require the abolition of all of these grade crossings.

Commission's Exhibit No. 1 proposes that elimination be brought about by construction or reconstruction of *viaducts across the railroads and the river* with suitable grades of approach and through depression of the railroad tracks and the elevation of the streets. The streets affected by the river crossing program are the following: North Spring, North Main, Alhambra, Macy, Aliso, East First, East Fourth, East Seventh and East Ninth, and the detail of the recommended depression of tracks and elevation of streets at these points is shown in Commission's Exhibit No. 1. The engineering conference, above referred to, approved of all these designs except at Aliso street. There it was advised that the bridge should, in the future, provide for vehicles and pedestrians as well as the Pacific Electric tracks. The Commission is in agreement with this suggestion and when definite plans for this particular crossing are made, the design appearing on page 173 of Commission's Exhibit No. 1 should be modified accordingly.

On *Alameda street,* the traffic studies indicate that in a year of the investigation approximately 78,000,000 people crossed Alameda street in its most congested part (Spring street to Alameda street) divided as follows:

Location	Important streets	Electric railways	People crossing tracks per annum
North of Arcade station	9	6	59,000,000
South of Arcade station	4	1	19,000,000
Totals	13	7	78,000,000

The railroad traffic is very heavy; the average street north of the Arcade station is crossed by 157 train movements each day, and the average street south of the station is crossed by 98 train movements.

Accidents have occurred and there is an important delay to both railroad, vehicular and electric railway traffic. At both Sixth and Seventh streets the crossing gates are down over 15 per cent of the daylight hours. Both danger and delay will increase as time goes on.

It is not practicable to bring about on Alameda street a physical separation of grades. For reasons stated fully in Commission's Exhibit No. 1, it is recommended by our engineers that the tracks be allowed to remain in that street, but that all except approximately 3 per cent of the present railroad traffic be diverted and that the remaining traffic, consisting of switching service only, be handled after midnight between 1 and 6 a.m. between Macy and Ninth streets. All main-line traffic should be eliminated. This will do away with practically all danger and inconvenience resulting from grade crossing movements and will, at the same time, not disturb existing business and industrial

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conditions. Practically no increase in railroad operating costs is expected to result from this important change. The engineering conference, as also the mayor's and city council's advisory committee, is willing to continue industrial trackage and switching service on Alameda street with the understanding that Alameda street tracks shall not be connected with any station yards or express yards, nor switching yards, nor team yards, but that all such facilities shall be reached by tracks directly from the main lines on the river bank. The Commission believes that the suggested provision should be made an essential condition of the proposed Alameda street arrangement.

In Commission's Exhibit No. 1, it is recommended that *between Los Angeles and Pasadena* all grade crossings of the Santa Fe and of the Salt Lake be eliminated. This is to be effected by a reconstruction and partial relocation of the existing Santa Fe line and abandonment of the present Salt Lake line and the latter road's participation in construction and joint use of the new trackage or roadbed. This plan will eliminate 61 street, 8 electric railway, 2 steam railroad crossings on the Santa Fe and 28 grade crossings on the Salt Lake. The Commission believes that this important grade crossing elimination plan should form a part of the general plan which it is proposed to lay down in this decision. We are of the opinion, however, that this work need not form part of the first step of such grade crossing elimination as should be immediately undertaken.

This *first step* should provide for grade separations at Macy, Aliso and Seventh streets. This selection is because of the fact that at *Macy street* the vehicular traffic is heavier than at any other existing crossing and the present highway bridge is entirely inadequate to handle this traffic. The present bridge is of inexpensive wooden construction and well along toward the end of its life. There is involved the crossing of three steam railroad tracks—two Santa Fe tracks on the west side of the river and a Salt Lake track on the east side.

Grade separation at Macy street should be made substantially in accordance with Figure 41, page 168, of Commission's Exhibit No. 1, that is, by depression of the railroad tracks adjacent to the river to elevation 272.0, city datum, and by raising Macy street to elevation 297.0. The grades of approach on Macy street should be 4 per cent, as shown on Figure 41, just mentioned.

Grade separation at Macy street, according to this plan, being predicated on partial depression of the tracks, it is absolutely necessary that the *Aliso street* crossings be eliminated at the same time, because of the short distance between these streets and the fact that practicable railway grades cannot be laid leaving either street at its present elevation and separating the railway and street grades at the other.

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Grade separation at Aliso street should be accomplished substantially as shown on Figure 46, page 175 of Commission's Exhibit No. 1. The local tracks only need to be constructed at this time and the plan should provide for the construction of a highway bridge as well as a railway bridge at some time in the future. The steam railway tracks should be, as shown, depressed to elevation 267.7 and the Pacific Electric tracks raised to elevation 294.2, both city datum.

In connection with the grade separations at Macy and Aliso streets the Santa Fe should take up its present main line tracks across Macy street at about Center street and across Aliso street, between Center street and Los Angeles River, and divert all its traffic to the track adjacent to the west bank of the river.

The grade crossings on *Seventh street* at both sides of the Los Angeles River are also immediately in order for elimination, because of the fact that the vehicular traffic is extremely heavy, as shown by Figure 22 in Commission's Exhibit No. 1, and there are three tracks of the Salt Lake on the east side of the river and four tracks of the Santa Fe on the west side. The railway traffic is also heavy.

The grades of Seventh street and the railways on the east and west banks of the Los Angeles River should be separated by partial depression of the tracks and partial elevation of Seventh street substantially as shown on Figure 56, page 185, in Commission's Exhibit No. 1.

The carriers will be ordered to submit to the Commission, within a reasonable time, definite plans and cost estimates for these grade separations based on the general plans contained in Commission's Exhibit No. 1. It will be necessary that these plans be approved or modified by the city. The Commission, after approval or modification, will thereupon fix a fair division of cost by subsequent supplemental proceeding and order.

(*b*) *Freight facilities.*

Commission's Exhibit No. 1 proposes an improvement in the handling of less than carload freight in the city of Los Angeles by provision for a union freight station at the Santa Fe freight yard site on Santa Fe avenue. The existing conditions relative to the handling of carload freight are found to be satisfactory and it is recommended that nothing be done to disturb this satisfactory situation. The importance of properly serving the large number of industries now having trackage connections with the Alameda street line is recognized, and this is the reason for the recommendation against the removal of tracks from Alameda street at this time. This matter has been discussed above in connection with the subject of grade crossing elimination.

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The city urges against the adoption of a *single* union less than carload freight station and desires that provision be made for several of such stations in different parts of Los Angeles. There is, however, no opposition on the part of the city to the selection of the Santa Fe site for the first of such possible union freight stations. There is opposition on the part of the representatives of the railroads to the establishment of a union freight station either at the Santa Fe site or elsewhere. The railroads urge that the present practice of each carrier owning and operating its own freight stations be continued and that each carrier be permitted to develop its freight facilities in view of its own needs.

We are impressed by the arguments advanced by our engineers that the existing freight facilities in Los Angeles can not remain indefinitely in their present condition, and that large expenditures will shortly become necessary irrespective of whether the railroads act jointly or continue independent action in the future. We are not persuaded, however, that the freight situation is such as to require at this time a specific order for the establishment of a union less than carload freight station. Whether or not existing freight stations, or new ones to be established by the individual railroads, shall be operated as joint or union freight stations, may be left, we believe, for subsequent decision.

Regardless of whether or not there will come about a unification of freight facilities, we are convinced that the future handling of freight traffic in Los Angeles should be governed by certain considerations which appear to be the conclusions of a number of independent engineers who have studied this question and which also reflect the expressed desires of the Los Angeles city authorities. These are that

(1) New permits should not be granted for industrial tracks longitudinally in streets.

(2) All tracks now longitudinally in streets be confined to use for industrial purposes only and be removed as soon as access to the industries served is otherwise obtained.

(3) All spur tracks shall be built in a general easterly and westerly direction from the river banks and not across east and west streets, unless, by such construction, the crossing of more important north and south streets is avoided.

In this connection the establishment of team yards along the east side of Alameda street is also recommended and suitable locations for such yards, in conformity with the general plan suggested in this decision, will be at College and Alameda streets, at Macy and Alameda streets, at the Los Angeles Market site, and possibly at the proposed Salt Lake terminal site.

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(c) *Union passenger station.*

There has been presented before the Commission by the complainants in this proceeding, and by others, the most insistent advocacy for the establishment of a union passenger station and also, on the part of several of the carriers and other parties, the most insistent opposition to such a station. We are impressed that in the partisan arguments for and against a union station the essential facts have to some degree been lost sight of. We see no reason why this question should not be discussed on its merits and determined in accordance with the essential facts in the same manner that it has been agreed the other branches of this investigation should be decided.

The advantages and disadvantages of a union passenger terminal, we think, have been fairly and rather completely discussed in Commission's Exhibit No. 1. The statements contained in that exhibit that the establishment of a union passenger terminal is largely a question of its desirability and of its cost, and that it is not entirely a railroad matter, but also one of public policy, we believe to be statements of fact. To give the principal reasons for and against the establishment of a union station, we quote from Commission's Exhibit No. 1:

A union passenger station is desirable for the following reasons:

(1) As a gateway to the city, Los Angeles prefers one adequate, convenient and beautiful entrance to several separate gateways, none of which can by themselves have all the advantages of a single union depot. This is a matter of civic pride and of city planning for the future. Los Angeles, by reason of its wonderful advantages as a tourist center and as a center of travel, is justified and is sound, in our opinion, in making this consideration one of the first importance.

(2) There will be increased convenience to passengers. Since mail, express, and baggage are carried on passenger trains, it is more economical to handle this business at one station. Ten thousand dollars per annum would be saved in the handling of mail if a terminal post office were established. The express business amounts, in tonnage, to about one-fourth of the less than carload freight business of Los Angeles and much would be saved by elimination of the wagon haul between the various depots. This saving cannot readily be estimated in terms of money and is dependent on the location of the main depot. The more central the location, the greater the saving. Baggage is also transferred between the stations and—while of lesser importance in cost—increased convenience would result.

(3) Grade crossing elimination would be simplified. When it is maintained that there is no necessity for a union station, it must be remembered that the retention of more than one station will necessitate greater expenditure for the elimination of grade crossings, and, pending complete separation, will result in more vehicular movement across tracks at grade.

(4) Present passenger facilities of the Santa Fe and the Salt Lake stations are inadequate. Large capital expenditures must soon be incurred in any event to satisfy present and future needs. This is true to a lesser extent of the Southern Pacific station also. A union depot will fill these needs better, permanently, and at a relatively smaller cost than piecemeal construction by individual roads regardless of the problem as a whole. If the three steam roads now had satisfactory facilities, this argument would be less important. Under existing conditions, it is of prime importance.

(5) The topographical conditions and location of the railroads in Los Angeles are almost ideal and point definitely towards a union station. These natural conditions are such that a union station can be created with comparatively inexpensive connections between the roads at a relatively small capital expenditure. Long and costly approaches are eliminated and there is no doubt that the first cost will be relatively much smaller than for a similar undertaking in other communities of equal importance in the United States.

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The principal arguments against the establishment of a union station are:

(1) Los Angeles is not a through station. Practically all trains entering the city terminate there, and it is there that the majority of the passengers reach their destination. Only approximately 15 per cent of the total number of passengers transfer from one station to another.

(2) The first cost of any adequate union passenger terminal will be high and the saving in operating expenses will not alone warrant the resulting increase in fixed charges.

These points are discussed in detail in the report and the conclusion is reached that, taking all arguments into consideration, a union station is desirable, provided it is suitably located. Three locations were considered worthy of consideration and detailed analysis by the engineers making the investigation: The Plaza site, the Santa Fe site and the Southern Pacific site. A fourth, and what might be termed the Salt Lake site on the east bank of the Los Angeles River, was suggested after the completion of the engineering investigation. The arguments for this fourth site are general and no data are before the Commission sufficiently adequate or detailed to permit of any comparison in estimates of this site with the other three. It is apparent, however, that the location on the other side of the river from the main portion of the city is a serious disadvantage, and it is also apparent that there would be opposition on the part of the city authorities and of other parties to that location.

Detailed estimates and exhaustive comparative studies were made by the Commission's engineers for each of the three investigated sites. Plans for track layouts and other facilities were drawn and careful investigation was made in each case of the additional lands and other facilities required for each site, and of the lands and other facilities that would be released and become nonoperative property in each instance. This information is available in Commission's Exhibit No. 1. The advantages and disadvantages of each of the three sites were set forth and the effect on cost and on operation was considered. Recommendation is made to the Commission that a union passenger station at the Plaza site be established substantially in accordance with the plans contained in Commission's Exhibit No. 1, and the reasons for the selection of that site are stated as follows:

(1) *Size and shape of site.* The Plaza site is much wider and longer than the Southern Pacific Station site and is equal to the Santa Fe site, which is too large.

(2) *Greater architectural and aesthetic possibilities.* Civic pride and the advertising value of this feature is of particular significance to a tourist center. At the Plaza, a suitable park to set off the station is possible with least damage to business, and at least cost, and at the intersection of important streets. The Santa Fe freight station interferes at the Santa Fe site, which has the least possibilities in this respect.

(3) *Ultimate rapid transit.* The Plaza site is on a more probable axis of the ultimate rapid transit system which would be nearer and more convenient to the station than with either the Southern Pacific or the Santa Fe plans. More interurban passengers would pass the Southern Pacific site than the Santa Fe site.

(4) Because of the separation of passenger tracks from the future main switching leads along the west bank of the river, there would be less *interference*

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with switching with the Plaza plan than with the Santa Fe plan, which presents bad operating conditions because of too much traffic in one place. The Plaza plan is nearly equal to the Southern Pacific plan in this respect.

(5) *Least train coach equipment, and light engine mileage.* The Plaza site is very superior to the other sites, largely due to the location at a more northerly point. The Southern Pacific plan is worst in this respect.

(6) *Union freight station.* The Santa Fe site is particularly suitable for a union freight station, which is possible either with the Plaza or the Southern Pacific plans. The Plaza plan is equal to the Southern Pacific plan and both are better than the Santa Fe plan.

(7) *Grade crossing separation.* With the Plaza plan, no elevated railway structures are necessary in uptown district or awkward subway and crossings in a very important thoroughfare, as with the Southern Pacific plan. The Plaza plan is nearly equal to the Santa Fe plan.

(8) *Accessibility by street car lines.* Sixty per cent of the passengers use the street cars. With the Plaza plan more are accommodated without transfer than at the Southern Pacific or the Santa Fe sites. In this respect the Southern Pacific site is more convenient than the Santa Fe site.

(9) *Distribution and collection of mail and express.* The Plaza site is nearly as good as the Southern Pacific site. The Santa Fe site is farther and less accessible than either.

(10) *Operation of yard and coach yard.* The Plaza site is better than the Santa Fe site because of the proximity of the coach yard, notwithstanding the fact that a through station is possible at the latter site. The Southern Pacific site is the worst as the coach yard is distant a stub station is necessary and the approach is on a steep grade.

(11) *Property values.* Considering ultimate appreciation and neglecting immediate disturbances, the Plaza plan is far superior and the Southern Pacific plan is far better than the Santa Fe plan. The ultimate appreciation with the station at the Plaza site and a union freight station at the Santa Fe site is estimated at over $8,000,000. This is of advantage to the city in the restoration of depreciated property values.

(12) *Convenient to hotel, business, and shopping districts.* The Plaza site is slightly less convenient than the Southern Pacific site, which is much superior to the Santa Fe site.

(13) *Accessibility by automobiles.* The Plaze site is superior to the Southern Pacific site from all points except the business district, where the inferiority is slight. Both are better than the Santa Fe site.

(14) *Locomotive service and repair facilities.* This is partly covered in No. 5. Otherwise the Plaza site is first, the Santa Fe second, and the Southern Pacific third with respect to use of present facilities and construction of new facilities.

(15) *Freight draying.* The Plaza site is best inasmuch as passenger and freight vehicle traffic is separated. The Santa Fe site is worst since both classes would be in the same district.

(16) *Confinement of transportation facilities to natural channel—the banks of the Los Angeles River.* The departure of the Plaza site is not of great importance because of location and improvements. The Santa Fe site is slightly better than the Plaza site and much better than the Southern Pacific site.

(17) *Release of lands in industrial district.* Arranged in order of benefit, the three plans compare as follows: Plaza—Release Southern Pacific station and coach yard sites. Santa Fe—Release Southern Pacific station site; use coach yard for team tracks. Southern Pacific—Release coach yard site.

(18) *Segregation of freight and passenger routes.* This is best accomplished by the Southern Pacific plan, but the Plaza plan is not much inferior. The Santa Fe puts both passenger traffic and freight switching along the west bank and is in this way far inferior in this respect.

These and other considerations are discussed in the exhibit.

More thought and study have been given to the selection of a site for a union passenger terminal, because of the clash of contending interests, than to any other feature of the entire transportation investigation. The availability of the various sites was tested against a set of general

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requirements which it is acknowledged are essential to the location of any union passenger depot. While it is true that there may be varying degrees of importance placed on different requirements, it is also true that a better and fairer judgment of the availability of a particular site can be reached in this manner than by depending alone on the arguments of the party whose interest is immediately affected.

We reach the conclusion from a careful consideration of all the evidence before us that the establishment of a union passenger depot is feasible and desirable, and is necessary in Los Angeles, and we are satisfied that the so-called Plaza location is superior to other possible locations and that the union passenger station should be located at that site. We come to that conclusion without subscribing on all points to the conclusions reached by our engineers in Commission's Exhibit No. 1 and in the testimony given by witnesses on that point, and without agreeing entirely with all the reasons given by the engineering conference when they, in part, indorse the report of the Commission's engineers, or with the report of the mayor's and city council's advisory committee.

The opposition on the part of the Southern Pacific, Salt Lake, and Pacific Electric Railroads, to the Plaza site, apart from the question of cost, is readily understood. The representatives of these roads have frankly admitted that they are in opposition to any plan that will interfere with the consummation of their own proposal, which provides for a partial union passenger terminal on the present Southern Pacific depot site. It is to be noted, however, that even these railroads are not opposed to terminal unification *per se*; rather are they in favor of it. They do not desire, however, to depart from their own plans and hold their individual and immediate interests paramount.

The Commission finds as a fact that public necessity and convenience demand a unification of passenger terminal facilities in Los Angeles and an order will be made requiring the interested carriers to prepare, within a reasonable time, detailed plans and estimates for an adequate union passenger station at the so-called Plaza site. The exact location of the site cannot be prescribed at this time except to the extent that the union passenger station shall be located in the territory in the city of Los Angeles bounded by Commercial street, North Main street, Redondo street, Alhambra avenue and the Los Angeles River.

We are not prepared, at this time, to make a finding as to the minimum amount of expenditure that should be estimated and provided for in the construction of such a station, and are of the opinion that this matter should be left for subsequent decision. Neither do we believe it wise or necessary to insist that the plans for such a station, with its necessary facilities, should follow exactly and in detail the plans set

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forth in Commission's Exhibit No. 1. As a result of the engineering conference, and of the last hearings before the Commission, some important and some minor changes were made, or agreed to, in the plans first suggested by our engineers, and it is certain that other modifications and changes will develop with further study. We are also satisfied that a plan can be made that will overcome the difficulties suggested during the last hearings by the railroads and by the representative of the Business Men's Association. The Los Angeles city authorities must, of necessity, have an important part in the design of any definite plan, and a modification of the plan in Commission's Exhibit No. 1 may have to come about if it should definitely develop that the city is unwilling to vacate the necessary portions of streets and the Plaza.

The Commission, in reaching its conclusion that the union passenger depot should be located at the Plaza site, assumes that the city will carry out its repeatedly announced intention to further in every possible way the consummation of the general plan which, by resolution, the city authorities have so strongly urged the Commission to promulgate in this proceeding.

It remains to provide for suitable machinery and procedure to accomplish the end sought. As an initial step it will be necessary for the interested carriers to submit for the approval of the Commission detailed plans and estimates of the proposed union passenger terminal. The plans and estimates made by the carriers should be concurred in, or suggestions for modifications should be made, by the city. The Commission will not desire to approve or modify a plan until the plan fulfills, as nearly as may be, the joint and combined needs and desires of the interested parties. In view of the wide divergence on this subject by the carriers themselves on the one hand and between the carriers and the city on the other hand, it is not reasonable to expect that an agreement will be reached on a plan or design if the matter is left to the individual action of these parties.

We are of the opinion, therefore, that the carriers should appoint an engineering committee, with a chairman who shall be satisfactory to the carriers, to the city of Los Angeles, and to the Commission. The city of Los Angeles should be also represented on this engineering committee.

Instructions are to be given to this engineering committee to prepare within the time specified by the Commission such plans and estimates as will completely and in good faith meet the requirements for a union passenger station laid down in this opinion and order. In case of disagreement by the engineering committee on any matter properly before the committee, and connected with the design and estimates of the plan, the decision of the chairman of the committee shall govern, with the understanding that each party shall have the right to present to the

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Commission its views when the plan and estimate is submitted to the Commission for final approval, as provided for in this decision.

It is not our intention that an engineer of the Commission should be a party to this conference but there can, of course, be no objection to the engineering conference keeping in close touch with the Commission, and the Commission's engineering department, in order that no delay or conflict may result from misunderstanding.

The engineering committee should also handle the preparation of the plans and estimates for the grade crossing eliminations heretofore discussed in this opinion.

The Commission is aware that such important questions as a division of cost of the proposed union terminal, the method of its financing and construction, provision for its operation, and other important legal, financial, and operating matters must have careful consideration and that conclusions must be reached on such questions. It would serve no purpose, however, in our opinion, to deal with these matters at this time, and they will be left for further decision after plans and estimates have been submitted and approved.

(*d*) *Electric railway transportation.*

Two electric railways are affected by this proceeding—the Pacific Electric and the Los Angeles Railway.

The *Los Angeles Railway* operates the street car system (narrow gauge). It is of importance that arrangements should be possible to give adequate street car service to the proposed union passenger station and no difficulties will be encountered in that respect with the proposed Plaza location. The carrying out of the passenger terminal plan will result in some slight rerouting of car lines, but it is to be noted that, from the standpoint of street railway traffic, a union passenger station at the Plaza site will be favorably located. Commission's Exhibit No. 1 contains the recommendation that, to avoid street car congestion near the site of the Plaza terminal, a subtunnel under the present Broadway tunnel be constructed. This matter appears to require further study and will be a proper subject to refer to the proposed engineering committee.

The Los Angeles Railway will also, to some extent, be interested in and affected by a number of the grade crossing separations proposed in the general plan.

Plans affecting the *Pacific Electric system* and interurban electric rapid transit form an important part of these cases. An appreciation of the importance of the Pacific Electric service may be had when it is stated that, in 1918, approximately 68,000,000 passengers were carried on that system divided about equally between interurban and local passengers and, in 1917, this road carried 65,000,000 passengers, while

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in the same year the steam roads of the entire State of California carried only 39,000,000.

The Pacific Electric is also an important freight carrier, its importance as a freight road being exceeded by only two California railroads, the Southern Pacific and the Santa Fe. It should be stated in this connection that the Pacific Electric is a subsidiary of the Southern Pacific, and the latter company controls the former through stock ownership. It is apparent that the proper development of this electric road is of vital importance to the well being of the communities interested in these proceedings.

In Commission's Exhibit No. 1, the Pacific Electric problem is dealt with at some length and recommendations are made for the construction of a subway from the present station at Sixth and Main streets northerly along Main street to and under the Plaza union station, changing to an elevated railway along Ramirez street, and meeting the present Pacific Electric line at the Aliso street bridge. From here this line would continue as an elevated railway to Brooklyn avenue where the present tracks would be met. It is further recommended in the exhibit that the Pacific Electric continue the present elevated structure at the rear of its Main street station, elevating the Long Beach line to Fourteenth street, with provision in the design for a future connection with the subway in Sixth street. Recommendation dealing with grade separations on Pacific Electric lines have already been mentioned in connection with the discussion of grade crossings.

A considerable amount of testimony other than that given by the Commission's engineers was introduced relative to the Pacific Electric and the company's president, Mr. Paul Shoup, gave testimony opposing a subway on Main street. He declared in favor of the method of dealing with Pacific Electric traffic proposed in the Southern Pacific-Salt Lake-Pacific Electric plan.

As long ago as 1911, the necessity and desirability of a north and south subway in the congested part of the city, located on Broadway, Spring, or Main streets, and an east and west subway, making a connection between the Pacific Electric Hill and Main street stations, were recognized by Mr. Bion J. Arnold in his report upon the transportation problem in Los Angeles. The Commission's engineers appear to be of the opinion that the construction of a north and south subway on Main street is of greater urgency than an east and west subway. This view is indorsed by the engineering conference. It is apparent, however, that the building of any subway is not an immediate practical possibility and it is urged upon the Commission (and there seems to be no disagreement with that proposition) that the most pressing Pacific

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Electric traffic problems cannot find their solution in the immediate construction of subways in the heart of the city and that means must be found to take care of the traffic congestion on Hill street and on the Hollywood line. The Commission is at this time engaged in a study of the specific Pacific Electric traffic and operating problems, and it may be expected that a more detailed analysis of the matters here discussed will be made in connection with that investigation. We believe, therefore, that a definite order requiring operating changes or new construction from the Pacific Electric, or permitting that company to make material changes, should not be made in this decision.

(*e*) *Cost estimates.*

Cost estimates in considerable detail are included in Commission's Exhibit No. 1. These estimates in that exhibit are of the years 1916 to 1918. The results were objected to by the railroads as not reflecting actual conditions at the time of the later hearings in these proceedings and the Commission asked the engineering conference to check and criticise the estimates and to revise the cost to a later date. This was done and in Commission's Exhibit No. 2 (Report of Engineering Conference, dated August 13, 1920,) the estimated costs are as of March, 1920. As might be expected, there is not, however, agreement on estimates of cost of the various plans proposed in Commission's Exhibit No. 1 and their modifications.

The further fact should not be lost sight of that important changes in labor and material costs have occurred since March, 1920, and further important changes may confidently be expected in the future. On the whole, it may be said that the 1916 to 1918 costs were abnormally high and that the engineering conference costs, as of March, 1920, represented the approximate peak. Since then and speaking generally, the estimate totals for the work contemplated in Commission's Exhibits Nos. 1 and 2 will have shown a decline. There is also objection on the part of the Commission's engineers to certain overhead cost estimates and to certain real estate valuations as used by the engineering conference.

In order to comprehend the items included in the general plan discussed in this proceeding and proposed in Commission's Exhibit No. 1, a comparison of the estimates as made by the Commission's engineers, on the basis of prices of 1916 to 1918, and as revised by the engineering conference on the basis of prices of March, 1920, is shown in the following Table No. I. It should be remembered that Table I provides for what is termed the "ultimate plan." The table is included in this decision, not for the purpose of showing what would appear to the Commission to be estimates of sufficient exactness to base thereon a division of cost but merely to give an indication of the scope of the proposed development.

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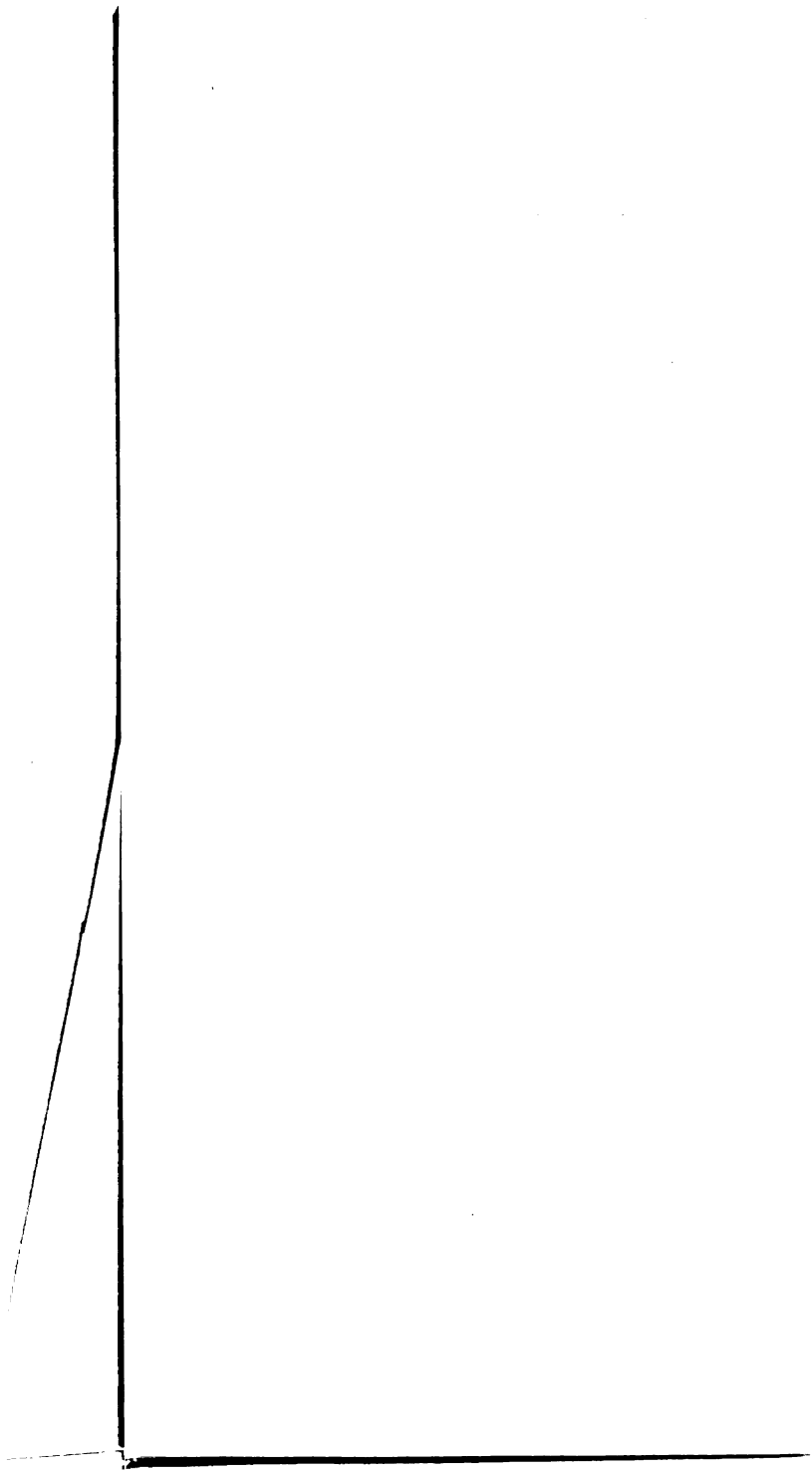

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The construction contemplated in Table I will be spread over a period of probably not less than ten years and the work will of necessity have to be done in successive steps. The first step provided for in this order, and extending over a period of probably five years, embraces, it will be noted, a beginning of the most important grade crossing separations, a beginning in the establishment of a union passenger terminal with the accompanying relief of Alameda street, and certain other measures making for greater simplicity and economy in railroad operation. The cost of this first step will, of course, be much less than the total estimate. The approximate cost figure will be known after the plans of the engineering committee have been filed with the Commission.

It must be remembered that the present passenger stations of the Salt Lake and of the Santa Fe are acknowledged by these roads to be inadequate and unsatisfactory and, further, that large expenditures are necessary and now contemplated by the three steam railroads and by the Pacific Electric in meeting their urgent passenger and freight requirements. The Southern Pacific-Salt Lake-Pacific Electric plan, according to Southern Pacific-Salt Lake Exhibit No. 27, contemplates the expenditure of approximately seventeen million dollars for a partial and incomplete development. It cannot be said, in view of these facts, that an unreasonably large immediate expenditure is contemplated by the Commission or that we are not giving consideration to the important factor of cost in making this order.

Care must be taken in making comparison between different plans and estimates that the comparison is not between altogether unlike things. This difficulty repeatedly arose during these proceedings. The estimated cost of a partial plan manifestly cannot fairly be compared with the estimated cost of a comprehensive plan. Again, the cost of a plan to take care of present needs only cannot fairly be compared with the cost of a plan intended to provide for the present as well as the future. Again, a plan considering the requirements of several of the carriers only cannot be compared with a program designed to take care of all of the carriers as well as of the city.

When capital costs are compared, it is also necessary not to lose sight of comparative operating costs, and of operating costs not only to the railroads, but also to the users of transportation in passenger and freight traffic, and to the community.

We repeat, therefore, that it is not practicable, at this time, to deal extensively with the matter of cost and division of expenditure and that this is one of the features that should be reserved for a subsequent decision.

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(*f*) *Associated matters.*

The present decision will dispose of *Case No. 938* where, in Decision No. 3290, dated April 27, 1916, the Commission made its order directing the *installation of a standard interlocking plant at Aliso street and Los Angeles River.* According to that order plans were to be submitted and the plant placed in operation within nine months. On July 28, 1916, the effective date of Decision No. 3290 was extended and the matter has since been held in abeyance. A separation of grades for the crossings of the Pacific Electric and the main line of the Salt Lake and the river tracks of the Santa Fe, and the removal of the crossing of the present main line Santa Fe tracks, does away with the necessity for this interlocking plant and this case may, therefore, be dismissed. An order will be issued by the Commission to that effect.

In *Application No. 2962,* the *Industrial Terminal Railway Company* asks permission to issue stock for the purpose of acquisition of rights of way for a *switching and terminal railroad* approximately two miles in length, commencing on Alameda street north of Aliso street and running in an easterly and northwesterly direction across Ramirez street, Macy street, Lyon street and crossing the tracks of the Santa Fe, across the Los Angeles River and across the tracks of the Salt Lake, terminating on the south side of Alhambra avenue east of the Los Angeles River. The present decision makes the construction of such a railroad an impossibility and we believe that this application should, for that reason, be dismissed without prejudice. It is our understanding that such a dismissal is satisfactory to the applicants.

In *Case No. 971, the city of Pasadena is complainant* and the *Pacific Electric Railway Company,* the *Southern Pacific Company, Atchison, Topeka and Santa Fe Railway Company,* the *San Pedro, Los Angeles and Salt Lake Railroad Company,* and the *city of Los Angeles* are *defendants.*

In this complaint the city of Pasadena alleges that certain *grade crossings* maintained by defendants are dangerous and should be eliminated and asks further that the Commission's order in Case No. 938 should not be carried out.

The first is the crossing of *Huntington drive* and the Pacific Electric, about one-third mile northeast of North Broadway and Mission road junction in the city of Los Angeles, where four Pacific Electric Railway tracks are crossed at grade. In the complaint, and in Exhibit "B" attached to the complaint, this crossing is referred to as the Mission road crossing but since in Commission's Exhibit No. 1 the crossing of the Southern Pacific tracks in Alhambra avenue with Mission road is referred to as the Mission road crossing, the crossing complained of

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in this case will be referred to as the Huntington drive crossing. It should be here noted that the Pacific Electric Railway Company and the city of Los Angeles are the only defendants having an interest in this crossing.

As noted in Commission's Exhibit No. 1, subsequent to the filing of this formal complaint, an agreement was reached between the city of Los Angeles and the Pacific Electric Railway whereby, through the construction of a new road and the relocation of a bridge, approximately all of the present traffic over this crossing would be diverted. It was proposed, therefore, that this crossing be excluded from the general investigation. This was done (Trans., p. 132).

On August 7, 1917, the agreement referred to was filed with the Commission, it becoming city of Los Angeles Exhibit No. 2 in the consolidated proceeding. No grade crossings are to be opened or closed under this agreement and the Commission is not legally concerned. We may, however, take cognizance of the fact that the agreement has been carried out and the road constructed and approximately all of the traffic diverted from the crossing. No reason exists, therefore, for further consideration of this part of the complaint of the city of Pasadena.

The city of Pasadena also alleges that the grade crossings of the Pacific Electric tracks in Aliso street and the Santa Fe and Salt Lake tracks on both sides of the Los Angeles River are improper, inadequate and insufficient for the reasonable protection of the public traveling on the Pacific Electric cars and asks that these crossings be eliminated. The complaint further alleges that the order made by the Commission on April 27, 1916, in Case No. 938 for the construction of a standard interlocking plant at this crossing should not be enforced for the reason that its installation would not obviate the alleged delay at this crossing.

On July 28, 1916, thirteen days subsequent to the filing of the complaint in Case No. 974, the Commission made a decision extending, until further order, the effective date of its order in Case No. 938 and the matter has since been held in abeyance pending a decision in this proceeding.

We have already stated that an order will be issued separating the grades of the Pacific Electric and the Santa Fe and Salt Lake at Aliso street and Los Angeles River and if this is done it will automatically dispose of this part of the complaint in Case No. 974. Since all of the matters complained of by the city of Pasadena have been disposed of an order of dismissal without prejudice should be entered in Case No. 974. This will be done.

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In *Case No. 980, the city of Alhambra, in Case No. 981, the city of of San Gabriel and, in Case No. 983, the city of South Pasadena make complaints almost identical with that of the city of Pasadena in Case No. 974.*

For the reasons set forth above, these complaints should also be dismissed.

Summary.

The conclusions reached by the Commission, after a thorough and careful investigation as indicated in this opinion may be summarized as follows:

1. Consideration of safety, public necessity and convenience, as also of operating economy and efficiency, requires the adoption of a comprehensive plan of transportation development in the territory under consideration in this proceeding, including in such a plan provision for gradual elimination of all important grade crossings on the Southern Pacific, Santa Fe, Salt Lake, and Pacific Electric, a unification of the steam railroad passenger facilities, and the construction of a union passenger station, the further development of freight facilities in accordance with principles insuring the lowest cost of service to both railroads and shippers, and the development of electric interurban rapid transit doing away with present congestion and delay and through means of probable future subways in the congested portion of the city. The conclusions reached and the general recommendations made in Commission's Exhibits Nos. 1 and 2 in this proceeding may well serve as a guide to such development.

2. The general ultimate development plan, to the extent that it is advisable and possible to lay down specifications at this time, is indicated in its construction items in Table I in this opinion. This plan, of necessity, will be subject to modifications depending on changes of present conditions.

3. The accomplishment of the plan will have to be undertaken in successive steps, the character and extent of each step to be determined by the transportation needs of the community and the carriers, and by the financial condition of the parties.

4. The first step is indicated in this decision and it is estimated that the work contemplated can be completed in five years.

5. The first construction and other work to be undertaken towards the accomplishment of the first step should be as follows:

(a) Grades should be separated at Macy, Aliso and Seventh streets for reasons indicated and in the manner previously prescribed in this decision.

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(b) Relating to freight traffic, the interests of the city and of industrial development require the withholding by the city authorities of future permits for industrial tracks longitudinally in streets; the confining of longitudinal tracks now in the streets to industrial use only and the removal of such tracks as soon as access to the industries served can otherwise be obtained. All spur tracks should be served from the main lines on the river banks and future spur tracks should be built in a general easterly and westerly direction from the river and not across east and west streets, unless by such construction the crossing of more important north and south streets is avoided. The establishment of team yards along the east side of Alameda street is desirable in the interests of both shippers and the railroads.

(c) A union passenger station should be established and built at the Plaza site, as that site and the requirements for such a station are previously described in this decision. The construction of a union passenger depot, with its necessary facilities and the resulting changes in the Los Angeles transportation system will, in itself, because of railroad operating and other necessities, be an item of work that must be completed in successive steps and spread over a considerable period of time. Arrangements to that end will have to be worked out by a competent engineering committee representing all the parties, under the chairmanship of a competent, impartial engineer, and under rules and instructions approved or laid down by this Commission.

6. With reference to the Pacific Electric interurban and local service, definite findings of fact relating to the first step in the ultimate plan, in so far as that company is a party to these proceedings, should be held in abeyance until the investigation now being made by the Commission into the affairs of that company is completed. It is a fact, however, that the Pacific Electric's most urgent service and traffic problems dealing with the Hill street and the Hollywood situations are not affected by the present proceeding, and nothing contained in this decision will prevent or need delay a partial or complete solution of these difficulties.

7. Both the Pacific Electric and the Los Angeles Railway will have to make provision for adequate local street railway service to and from the union passenger station.

8. Other matters at issue in this proceeding will be decided in accordance with the foregoing findings of fact and opinion.

ORDER.

Complaints having been filed by the Municipal League, Central Development Association, Civic Center Association, and the cities of Pasadena, Alhambra, San Gabriel and South Pasadena, and an appli-

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cation filed by Southern Pacific Railroad Company *et al.*, and all of these complaints and said application having been consolidated in this proceeding, and an exhaustive investigation into all of the matters connected therewith having been made by the Commission, public hearings having been held and the matters submitted, the Commission now makes its findings of fact as follows:

1. That the existing grade crossings of the Southern Pacific Company's tracks on Alameda street, at College street, North Main street, Macy street, Aliso street, Commercial street, Jackson street, East First street, East Second street, East Third street, East Fourth street, East Sixth street, Industrial street, East Seventh street, East Eighth street, East Ninth street, East Fourteenth street and East Fifteenth street, in the city of Los Angeles, are unsafe, and the continued use thereof, as a main line for the movement of trains of the said carrier, endangers the employees of the carrier and the public generally; that public interest and safety require that such dangerous conditions at said crossings be eliminated by the erection and use of a new structure or structures, to wit, a union passenger station and buildings incidental thereto located as hereinafter designated, and by the making of additions to, extensions, improvements and changes in the existing railroad facilities of said Southern Pacific Company reasonably necessary and incidental to the use of said union passenger station.

2. That a new structure or structures, to wit, a union passenger station and buildings incidental thereto should be erected by the defendants, Southern Pacific Company, The Atchison, Topeka and Santa Fe Railway Company, the Los Angeles and Salt Lake Railroad Company and Pacific Electric Railway Company, to promote the security and convenience of their employees and of the public and to secure adequate service and facilities for the performance of said defendants, and each of them of their public utility functions in the State of California; and in connection therewith additions, extensions, improvements and changes in the existing facilities of said defendants ought reasonably to be made in accordance with the general recommendations and conclusions set forth in the foregoing opinion.

3. That the location and site of the union passenger station herein referred to best suited to promote public convenience and to secure adequate service and facilities, is within that portion of the city of Los Angeles bounded by Commercial street, North Main street, Redondo street, Alhambra avenue and the Los Angeles River.

4. That certain existing grade crossings adjacent to the Los Angeles River in the city of Los Angeles, to wit, the crossing of Macy street, a public street in the city of Los Angeles, and of the tracks of the Los Angeles Railway Corporation thereon by the tracks of The Atchison,

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Topeka and Santa Fe Railway Company and of the Los Angeles and Salt Lake Railroad Company; the crossing of Aliso street, a public street in the city of Los Angeles and of the tracks of the Pacific Electric Railway Company thereon, by the tracks of The Atchison, Topeka and Santa Fe Railway Company and of the Los Angeles and Salt Lake Railroad Company, and the crossing of Seventh street, a public street in the city of Los Angeles, and of the tracks of the Los Angeles Railway Corporation thereon, by the tracks of The Atchison, Topeka and Santa Fe Railway Company, and of the Los Angeles and Salt Lake Railroad Company are unsafe, and the continued use thereof endangers the employees of said carriers and the public generally; that a separation of grades at said crossings is practicable and should be made.

Basing its order upon said findings of fact and the further findings and statements of fact contained in the opinion preceding this order;

It is hereby ordered—

1. That said defendants, Southern Pacific Company, The Atchison, Topeka and Santa Fe Railway Company, Los Angeles and Salt Lake Railroad Company and Pacific Electric Railway Company, do make and construct such additions, extensions, improvements to, and changes in, their railroad facilities in the city of Los Angeles, and to erect a union passenger station and buildings incidental thereto in said city of Los Angeles; and perform such work and make and construct the necessary fills, cuts, viaducts and other works and structures necessary for a separation of grades at the crossings enumerated in paragraph 4 of the findings of fact preceding this order, all in the manner and within the time hereinafter specified in this order, and such other orders as this Commission may hereafter make, supplementary thereto.

2. The site of the union passenger station herein referred to shall be within that portion of the city of Los Angeles bounded by Commercial street, North Main street, Redondo street, Alhambra avenue and the Los Angeles River. The specific location of said station within said area will be hereafter fixed and designated, pursuant to final plans to be prepared therefor, as hereinafter provided.

3. That said defendants, Southern Pacific Company, The Atchison, Topeka and Santa Fe Railway Company, Los Angeles and Salt Lake Railroad Company and Pacific Electric Railway Company, and each of them, shall cause to be made and filed with this Commission complete plans, specifications and estimates for such additions, extensions, improvements and changes in facilities and such new structure or structures, separation of grades and other work, as hereinabove referred to, as follows:

(*a*) *Relating to grade crossing elimination*: There shall be filed within sixty days from the date of this order a general plan or plans

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providing for grade separations at Macy, Aliso and Seventh streets, in conformity with the specifications, contained in the preceding opinion; also, profile or profiles, and detail drawings of each viaduct provided herein, together with estimate of cost of construction for each viaduct and for incidental expenditures and for damages; such plans, profiles, drawings and estimates to be prepared as hereinafter provided for.

(*b*) *Relating to a union passenger station*: There shall be filed within six months from the date of this order a general plan, or plans, with the necessary profile, or profiles, and general and detail drawings of a passenger union station located on the Plaza site, as described in the preceding opinion and findings of fact, together with all necessary facilities and charges in existing facilities; also, estimates of cost of construction of the union passenger depot, together with its necessary facilities and changes in existing facilities, and estimates of damages and of salvage; also, description and plans of the necessary temporary operating arrangements during the period of the transition pending the completion of new union passenger terminal facilities. All plans, profiles, drawings and estimates shall be prepared as hereinafter provided for.

The filing by said defendants jointly of such complete plans, specifications and estimates shall be deemed a compliance with this order in this particular.

4. Said defendants, and each of them, shall, within thirty (30) days from the date of this order, appoint their respective representatives—of whom there shall not be more than two (2) for each defendant—upon a joint engineering committee, which committee shall be charged with the preparation of complete plans, specifications and estimates, hereinbefore referred to. Said defendants shall also, within thirty (30) days from the date of this order, select and, subject to the approval of this Commission, appoint a disinterested engineer as chairman of said engineering committee. If no such appointment be made within the time specified herein, the Commission will, itself, select and appoint the chairman of the engineering committee. The city of Los Angeles shall be entitled to be represented upon the said engineering committee in the same manner and upon the same terms and conditions as each of said defendants.

5. The engineering committee shall prepare all plans, specifications, profiles, designs and estimates in accordance with the directions laid down in this decision, and with such further provisions as may be issued from time to time by this Commission. In case of any disagreement by said committee on any matter properly before it, the decision

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of the chairman thereon shall be final; subject, however, to the ultimate approval of the Commission. Each party shall have the right to present to the Commission its individual views when the plans and estimates are submitted to the Commission for final approval.

6. The expense of all additions, extensions, improvements or changes in facilities and new structure or structures and other work herein ordered—other than that relating to the separation of grades, to be hereafter specifically provided for, but including the preparation of complete plans, specifications and estimates by the engineering committee—shall be at the joint cost of said defendants upon such terms, as to the apportionment and division, as they may, within a reasonable time, agree upon, which time is hereby fixed at thirty (30) days from and after the date of this order for the apportionment of cost of preparation of complete plans, specifications and estimates, and six (6) months from and after the date of this order for the apportionment of cost of all other work; and in the event of their failure to so agree, then upon such terms and in such proportions and in the manner in which the Commission may, after further hearing, fix by supplemental order; provided, however, that all compensation for any representatives of the city of Los Angeles on the engineering committee shall be paid by said city.

7. Within twenty (20) days from the effective date of this order, the railroads shall file with the Commission a preliminary estimate of cost of preparing plans, specifications and estimates. After the appointment of the engineering committee, that committee shall file with the Commission weekly reports, in the form prescribed by the Commission, showing the progress of the work and the character and distribution of the work done. The engineering committee shall also keep account of its expenditures and shall file monthly reports of all expenditures with the carriers and with this Commission.

It is further ordered, that the complaint of the city of Pasadena against the Pacific Electric Railway Company, the Southern Pacific Company, The Atchison, Topeka and Santa Fe Railway Company, the Los Angeles and Salt Lake Railroad Company, and the city of Los Angeles, Case No. 974, which case is consolidated with this proceeding, relating to the grade crossing of the Pacific Electric tracks and Huntington drive and to the grade crossing of the Pacific Electric tracks in Aliso street and the Santa Fe and Salt Lake tracks on both sides of the Los Angeles River be and the same hereby is dismissed without prejudice, for the reasons heretofore stated in this decision.

It is further ordered, that the complaints of the cities of Alhambra, San Gabriel and South Pasadena, in Cases Nos. 980, 981 and 983, all of which cases are consolidated with this proceeding and which com-

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plaints are identical with the complaint of the city of Pasadena in Case No. 974, hereinbefore referred to, be and hereby are dismissed for reasons controlling in Case No. 974, as hereinbefore indicated in this decision.

The effective date of this order is hereby fixed and designated as the twentieth day of May, 1921; and

It is hereby further ordered, that wherever in this order a time is fixed for the doing of any act or the compliance with any term or condition of this order, such time shall be computed from said effective date.

The Commission reserves the right to make such further order or orders in these proceedings and relating to the construction, operation, modification and abandonment of facilities, to costs and division of costs, and to all other matters relating thereto, as public safety, necessity and convenience may require, and as, in the opinion of the Commission, may be just and reasonable.

Dated at San Francisco, California, this twenty-sixth day of April, 1921.

APPENDIX "A."

List of Exhibits in Case No. 970 et seq. Attached to Decision No. 8901.

Filed by the Business Stability Association.

Date filed	Exhibit No.	Subject
8-22 and 23-17	1	Plaza terminal plan.

Filed by The California Railroad Commission.

Date filed	Exhibit No.	Subject
2-17-20	1	Railroad grade crossing and terminal investigation report by Engineering Department, Richard Sachse.
8-16-20	2	Report of Engineering Conference on Los Angeles grade crossing and terminal investigation, August 13, 1920.

Filed by Central Development Association.

Date filed	Exhibit No.	Subject
6-24-17	1	Large map of Plaza plan.
6-24-17	2	Large map of Plaza plan.
6-26-17	3	Plan of smaller proposed Plaza terminal.
8-22 and 23-17	4	Track layout of proposed Plaza terminal.
11-21-17	5	Arrangement of terminal tracks, proposed Plaza plan.
11-21-17	6	Profile of North Main street to west bank of L. A. River.
11-21-17	7	Section through Plaza terminal with double arch.
11-21-17	8	Section through Plaza terminal with single arch.
11-21-17	9	Front elevation of Plaza terminal.
11-21-17	10	Small map showing main tracks of 4 railroads and approaches.
11-21-17	11	Floor plan of terminal.
11-21-17	12	Plan at Alameda street level of terminal.
11-21-17	13	Diagram showing routes on yellow car lines serving Plaza and Fifth street station without change of cars.
11-22-17	14	Tabulation. Cost of Plaza project; cost of S.P.-S.L.-P.E. project and unit prices.
12-11-17	15A	Sketch map of S.P. station at Arcade site.
12-11-17	15B	Sketch map of Salt Lake coach track.

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Date filed	Exhibit No.	Subject
12-11-17	15C	Sketch map of Santa Fe's coach track.
12-11-17	15D	Sketch map of Santa Fe station grounds.
12-11-17	15E	Sketch map of S.P. yards and shop grounds at Alhambra street.
12-11-17	16	Cost estimate of proposed Plaza terminal coach yards.
12-11-17	17	Detail of Hawgood's cost estimate shown in Exhibit No. 14.
12-11-17	18	Large map showing Storrow's revised terminal layout.
12-11-17	19	Map showing enlarged detail Plaza terminal layout.
12-12-17	20	Blue print showing plans for Plaza station building, drawn by Curlett, to which blue print is attached memorandum of costs.

Filed by City of Los Angeles.

Date filed	Exhibit No.	Subject
6-26-17	1	Profile of Los Angeles River bed.
6-26-17	2	Copy of contract between City of L.A. and P.E.Ry.Co. covering new road to divert traffic from Huntington drive crossing of P.E.
6-26-17	3	Map showing trackage and industrial spurs.

Filed by The City Planning Association.

Date filed	Exhibit No.	Subject
8-22 and 23-17	1	Diagram of rapid transit lines—10-22-14.
8-22 and 23-17	2	Satelite Map—Los Angeles district.
8-22 and 23-17	3	Diagram of interurban and steam railroads.
8-17-20	4	Diagram of transportation.

Filed by Southern Pacific and Salt Lake Railroad Companies.

Date filed	Exhibit No.	Subject
6-24-17	1	Map showing S.P.–S.L. plan.
6-26-17	2	Profile of S.P.–S.L. plan—Pigeon farm to Hollenbeck ave.
6-26-17	3	Profile of S.P.–S.L. plan—L. A. River to Arcade depot.
6-26-17	4	Large map of proposed S.P.–S.L. passenger terminal.
8-22 and 23-17	5	Map showing lands in Central Development Association's depot plan.
8-22 and 23-17	6	Map showing ownerships of lands in Central Development Association's depot plan.
8-22 and 23-17	7	Sketch of track layout in Central Development Association's depot plan.
8-22 and 23-17	8	Plans of S.P. Arcade station—"A" to "L" inclusive.
8-22 and 23-17	9	Plan of S.P. trackage, Macy to Sixth streets.
8-22 and 23-17	10	Profile of North Main street.
8-22 and 23-17	11	Profile of Macy street.
8-22 and 23-17	12	Profile of Aliso street.
8-22 and 23-17	13	Profile of Aliso and Anderson streets.
8-22 and 23-17	13A	Profile of Aliso street. M.W. 861.
8-22 and 23-17	14	Profile of Fourth street.
8-22 and 23-17	15	Profile of Seventh street.
8-22 and 23-17	16	Profile of Ninth street.
8-22 and 23-17	17	"Official Transportation and City Map of Los Angeles."
8-22 and 23-17	18	Photograph of proposed grade crossing elimination at Sixth and Alameda streets.
11-20-17	19	Plan showing Seventh street separation of grades.
11-21-17	20	Letter of C. W. Durbrow to President Thelen, dated November 16, 1917, with 4 enclosures headed respectively "Plaza Plan; Exchange of Passenger Facilities; New Money to be spent by Southern Pacific Company; and New Money to be spent by Pacific Electric Railway Company and Salt Lake Railroad".
11-21-17	21	Titcomb's detailed estimate of Southern Pacific–Salt Lake plans (29 sheets).
11-21-17	22	Titcomb's estimate of cost of Barnard plan.

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Date filed	Exhibit No.	Subject
11-22-17	23	Salt Lake Company's first mortgage dated July 1, 1911, to Guaranty Trust Company of New York.
12-11-17	24	Profile from near Sixth street to L. A. River.
12-11-17	25	Estimate details of grade separation at Los Angeles.
8-18-20	26	Map of present S.P. station.
8-18-20	27	Comparative statement showing cost of complete grade crossing elimination between S.P.–S.L. plan and the Plaza plan.
8-18-20	28	Estimate of cost of grade crossing elimination along banks of Los Angeles River.
8-18-20	29	Blue Print—Proposed joint use of S.P. station by L.A. and S.L. Ry.
8-18-20	30	Chart showing train operation at present S.P. station.
8-18-20	31	Joint passenger station (pamphlet).
8-18-20	32	S.P.–S.L.–P.E. plan for elimination of grade crossings.

DECISION No. 8903.

IN THE MATTER OF THE APPLICATION OF SAWTELLE WATER COMPANY, A CORPORATION, FOR AUTHORITY TO CHANGE AND INCREASE ITS RATES FOR WATER SERVICE.

Application No. 6344.
Decided April 29, 1921.

WATER RATES—LEAKAGE—PUMPING COSTS.—A water utility delivering approximately 11,000,000 cubic feet of water per year into its distribution system of which amount only approximately 5,744,000 cubic feet is delivered to consumers, showing a loss in distribution of 47½ per cent, is not operated in an efficient manner and consumers should not be required to pay rates sufficient to cover cost of pumping or purchasing water so lost. The air-lift method of raising water is held to be expensive and inefficient and it is recommended that applicant adopt a more improved method of pumping.

H. J. Goudge, for Applicant.
Geo. H. Hutton, for Sawtelle Chamber of Commerce.
MARTIN, *Commissioner.*

OPINION.

Sawtelle Water Company, applicant herein, is a public utility water company engaged in the business of furnishing water for domestic purposes in the city of Sawtelle, Los Angeles County, California.

Applicant alleges that it is operating at a loss; that the expenses of operating the system cannot be reduced; that an increase in rates is necessary in order that the company may receive a proper return upon its capital invested; wherefore applicant submits a suggested schedule of rates and asks that the same, or such other rates as the Commission deems fair and reasonable, be established.

A public hearing was held in the present proceeding at Santa Monica, of which all of applicant's consumers were duly notified and given an opportunity to appear and be heard.

Applicant presented an appraisal showing a reproduction cost of $93,156.90, but waived any claim for rate fixing based upon this valua-

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tion, and accepted the findings of the Commission's engineers as a rate base.

Mr. D. H. Harroun, one of the Commission's engineers, presented a report covering the results of a field investigation, an appraisal of the property and a study of the cost of maintenance and operation. His appraisal shows an estimated original cost of the system of $57,984 and $1,116 as a proper replacement annuity computed by the 6 per cent sinking fund method. This report also recommends the sum of $14,129 as a fair and reasonable estimate of the future annual cost of maintaining and operating this system. These estimates were not questioned at the hearing or subsequently and appear fair.

The following is a summary of the annual charges as indicated above:

Return on $57,984 at 8 per cent	$4,639 00
Replacement annuity	1,116 00
Maintenance and operation cost	14,129 00
Total estimated annual charges	$19,884 00

The total revenue from this system for the year 1920 was $12,035, and averaged $11,182 for the three preceding years. It does not appear that there is reason to expect any notable increase in business in the near future. It would appear therefore that authority to increase the rates should be granted.

This utility owns no water storage facilities, but an agreement is in force between the city of Santa Monica and the Sawtelle Water Company under which the Sawtelle Water Company is given the right to utilize the Olivette reservoir, property of the Santa Monica Water Company, for storage. Water delivered by the applicant to this reservoir is measured, and water returned to it from Santa Monica Water Company is also measured.

The Santa Monica Water Company is in a position to dispose of a limited amount of water, which is purchased by the Sawtelle Water Company at 7.5 cents per 100 cubic feet, which price undoubtedly returns a profit to the Santa Monica Water Company. The cost to the Sawtelle Water Company of pumping water from its own wells for the year 1920, was 8.44 cents per 100 cubic feet.

During the year 1920, 8,209,028 cubic feet of pumped water, or 75 per cent of applicant's supply, and 2,748,700 cubic feet of purchased water, or 25 per cent of its supply, was delivered into the distribution system, and 5,744,330 cubic feet of water was delivered to consumers. This represents a loss of 5,213,400 cubic feet, or 47½ per cent, for all of which the consumer should not be required to pay. An investigation, the object of which is to locate and obviate this loss, is now in progress.

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The air-lift method of raising water from the wells is used in this system. Raising water by this method is inefficient and expensive in this case, as compared with positive displacement, or turbine pumps.

At the hearing a number of consumers were present and considerable evidence was presented, purporting to show that the utility had not furnished adequate service to all its consumers during the summer months of the years 1919 and 1920. This utility has submitted a program to the Commission for the increase of its water supply and the betterment of service. The execution of this program is now being carried out by the utility, and should obviate a shortage of water for the summer months of 1921.

Applicant is confronted with a difficult situation with relation to the possible annexation of the territory served by it to the city of Los Angeles. Some time since, an election was held at which it was claimed that the majority of the inhabitants of this district voted for annexation. A contention as to the legality of this election arose, and the final determination of the matter is now pending before the Supreme Court of this state. Should it be held that this territory has been legally annexed to the city of Los Angeles, it would follow that the city of Los Angeles would ultimately provide applicant's present consumers with water. In view of these peculiar circumstances, it does not appear to be fair at this time to burden applicant with the expense necessary to install such additions and betterments as would enable it to render adequate service under all conditions and at all times. However, it appears that with the additions and betterments now being installed, applicant's consumers should be adequately served, although at a greater cost to the utility than appears to be necessary.

The inefficiency of this utility's pumping system is shown by the fact that in the year 1920, one-fourth of the water put into its distribution system was purchased water, at a less cost per cubic foot than it cost the applicant to pump water from its own wells. With the installation of a properly equipped pumping plant, operating expenses should be reduced.

Rates based on the estimated annual charges of $19,384, as shown above, would appear to be greater than the service is reasonably worth, and would be a burden on the consumer. In view of the inefficiencies of operation of this applicant as indicated above, the rates herein established are deemed fair and reasonable rates for the service rendered, and I submit the following form of order:

ORDER.

Sawtelle Water Company having applied to the Railroad Commission for authority to increase the rates for water service by it in the

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city of Sawtelle, Los Angeles County, California, a public hearing having been held, and the matter having been submitted,

It is hereby found as a fact that the rates and charges of the Sawtelle Water Company, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates and charges herein established are just and proper rates to be charged for the service rendered;

And basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order,

It is hereby ordered, by the Railroad Commission of the State of California that Sawtelle Water Company be and it is hereby authorized to file with this Commission within twenty (20) days of the date of this order the following rates for water:

Flat Rates.	Per month
1. For tenements occupied by a single family of not more than four persons	$1 00
2. For tenements occupied by a single family of more than four persons, for each additional person	10
3. For hotels, taverns and boarding houses, for each boarder, in addition to the family rate	25
4. For lodging houses, in addition to the family rate, for each lodger	20
5. For business blocks, for each office in addition to the base rate of $1.00	50
6. For public bath tubs, each tub	1 00
7. For water closets in private residences and bath tubs	25
8. For each public water closet	1 00
9. For each barber shop, two chairs or less	50
For each additional chair	25
10. For bakery, in addition to the family rate, for each barrel of flour consumed, 5 cents, but in no case shall the rate for bakeries be less than	2 00
11. For boarding schools, in addition to the family rate, each pupil	05
12. For each school, each pupil estimated on the average of attendance	01
13. For each soda fountain	75
14. For building purposes:	
(a) For each 100 yards of plaster	40
(b) For cement walks, for each 100 square feet	20
(c) For cement curbs, each 100 lineal feet	40
(d) For each 1000 brick laid, including wetting of brick and slacking of lime	15
15. For water used for the protection of the city and the inhabitants thereof, from fire, for each fire hydrant connected with a four-inch main or over	25
16. For stores, warehouses, butcher shops, halls, photograph galleries, printing offices, markets, book binderies, blacksmith shops, each	1 00
17. For restaurants and eating houses, from $1 00 to	2 00
18. For sprinkling grounds, gardens, parks or squares, for 50 feet frontage and 150 feet or less in depth	25
19. For private horses, including water for washing carriages, for each horse	25
20. For stables for omnibus, stage, stable, truck, cart and saddle horses, for 10 horses or less	1 50
For each additional horse over 10	15
Such payments will include water for washing vehicles.	
21. For each watering trough in public street	2 00
22. For each cow	15
	Per day
23. For washing or sprinkling of streets, for each cart used	$0 50

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Meter Rates.	Per month
For use from 0 to 1000 cubic feet, per 100 cubic feet	$0 25
From 1000 to 4000 cubic feet, per 100 cubic feet	20
All in excess of 4000 cubic feet, per 100 cubic feet	12

Monthly Minimum Charges.	
For ⅝-inch by ¾-inch meters	$1 00
For ¾-inch meters	1 25
For 1-inch meters	1 50
For 1½-inch meters	1 75
For 2-inch meters	2 00

It is hereby further ordered, that the above established rates shall apply to all service rendered on and after May 1, 1921.

It is hereby further ordered, that Sawtelle Water Company file with this Commission for its approval, within thirty (30) days from the date of this order rules and regulations to govern its relation with its consumers.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-ninth day of April, 1921.

DECISION No. 8904.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR AN ORDER AUTHORIZING THE ISSUANCE AND SALE OF BONDS IN THE AMOUNT OF TWO MILLION FIVE HUNDRED THOUSAND DOLLARS PAR VALUE.

Application No. 6617.

Decided April 29, 1921.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission, having by Decision No. 8737, dated March 14, 1921, authorized Los Angeles Gas and Electric Corporation to issue and sell $2,500,000 of its Series "A" five-year 7 per cent general and refunding mortgage bonds, due March 1, 1926, subject among others, to the condition that none of the bonds shall be delivered until the Commission by supplemental order has authorized Los Angeles Gas and Electric Corporation to execute a mortgage or trust deed securing the payment of the bonds; and Los Angeles Gas and Electric Corporation, having filed with the Commission a copy of its proposed trust deed, and having asked permission to execute a trust deed substantially in the form as the trust deed filed with the Commission on April 27, and the proposed trust deed being in satisfactory form; now, therefore,

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It is hereby ordered, that Los Angeles Gas and Electric Corporation be, and it is hereby, authorized to execute a trust deed substantially in the same form as the trust deed filed with the Railroad Commission on April 27, 1921, in the above entitled matter, provided that the authority herein granted to execute a trust deed is for the purpose of this proceeding only and is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said trust deed as to such other legal requirements to which said trust deed may be subject.

It is hereby further ordered, that the order in Decision No. 8737, dated March 14, 1921, shall remain in full force and effect, except as modified by this First Supplemental Order.

Dated at San Francisco, California, this twenty-ninth day of April, 1921.

DECISION NO. 8910.

IN THE MATTER OF THE APPLICATION OF FRUITVALE MUTUAL WATER COMPANY, A CORPORATION, TO HAVE ITS PROPERTY RELEASED FROM PUBLIC SERVICE.

Application No. 6600.
Decided May 2, 1921.

Ray W. Bruce, for Applicant
G. E. Delevan, Jr., for W. C. Anderson.

BY THE COMMISSION.

OPINION.

This is an application for abandonment of service as a public utility by a mutual company which has acquired a water system over which the Commission has heretofore asserted its jurisdiction.

Public hearings were held at Los Angeles, California, on March 19, 1921, before Examiner Gordon, and on April 12, 1921, before Examiner Satterwhite. The matter was submitted, and is now ready for decision.

The applicant herein, Fruitvale Mutual Water Company, was organized by the former consumers of the Citizens Water Company of San Jacinto for the purpose of acquiring and operating the system for the benefit only of the stockholders of the company, by the method common to so-called mutual water companies. It was intended that all of the former consumers of the Citizens Water Company should become stockholders of the mutual company, but at the time the sale was consummated under the approval of this Commission (Application No. 6124, Decision No. 8186), it was found that one of the consumers of the Citizens Water Company had declined to become a stockholder in the

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mutual company, and asserted the right to receive water as a member of that portion of the public to which the service had been theretofore dedicated. This former consumer appeared as a protestant at the first hearing in this proceeding. At the second hearing, however, this protest was withdrawn, the protestant having purchased stock in the mutual company, and thereby joined in the plan above indicated. There were, therefore, no formal protests to the granting of the application.

The evidence adduced at the hearing indicated that the applicants herein were willing, and had offered, to sell stock to all former consumers of the Citizens Water Company, thus enabling them to participate in the supply of water the same as all other stockholders and former consumers. The terms under which this stock was offered were reasonable, and the offer was a continuing one open to all of the prior consumers or persons otherwise entitled to receive water from the Citizens Water Company by reason of the public utility status of that company. It is apparent, therefore, that to grant the application herein will not deprive any one of the water supply upon which they are dependent, but will, on the other hand, permit the consumers to carry out their desire to manage their own water supply upon a mutual and cooperative plan.

ORDER.

Application having been filed herein for the abandonment of public service by the owners of a water distribution system, public hearings having been held thereon, and the Commission finding as a fact that an adequate supply of water is available to all former consumers and persons otherwise entitled to receive service from said distribution system when operated as a public utility and that the granting of this application will not operate to the injury of the public, or any portion thereof, heretofore dependent upon said service,

It is hereby ordered, that the application herein be, and the same is, granted, and that from and after the effective date of this order, which is hereby fixed as May 10, 1921, the service of water by applicant herein is a public utility shall be deemed terminated.

Dated at San Francisco, California, this second day of May, 1921.

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DECISION No. 8911.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES STEAMSHIP COMPANY FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF CAPITAL STOCK.

Application No. 6771.

Decided May 2, 1921.

O'Melveny, Milliken and Tuller, and *J. W. Greene*, by *J. W. Greene*, for Applicant.

BY THE COMMISSION.

OPINION.

Los Angeles Steamship Company asks permission to issue $3,500,000 of its common capital stock to acquire two certain steamships, designated "Yale" and "Harvard."

A hearing was had on this application before Examiner Gordon at San Francisco on April 30.

Los Angeles Steamship Company was organized on or about June 10, 1920, with an authorized stock issue of $5,000,000, divided into 50,000 shares of $100 each.

It appears from the testimony that Ralph J. Chandler, M. H. Sherman, Fred L. Baker, M. H. Whittier, Harry Chandler and Erle M. Leaf, together with their associates, acquired the steamships "Yale" and "Harvard" from the United States government. It further appears that there is now due the United States government on the vessels $1,316,250, payable in installments of three, four, five, six and seven years, with interest at 4¾ per cent upon the deferred payments. Each of the vessels is a steel triple-screw passenger vessel of 3825 ton gross measurement, 406 feet 6 inches long, with over-all breadth of 52 feet 6 inches, and an accommodation of about 450 passengers. Each vessel is propelled by Parsons turbine engine of 10,000 horsepower.

The record shows that more than $1,000,000 has been expended in refitting and reconditioning each of the vessels. L. Curtiss of the firm of Pillsbury & Curtiss testified that it would cost in excess of $2,500,000 to replace each vessel and that both the "Yale" and "Harvard" are in first-class serviceable condition.

The vessels are now owned by individuals who have caused Los Angeles Steamship Company to be organized and who are willing to transfer the "Yale" and "Harvard" to the company subject to the mortgage indebtedness due the United States government, in exchange for $3,500,000 of common stock.

ORDER.

Los Angeles Steamship Company, having applied to the Railroad Commission for permission to issue $3,500,000 of its common stock, a

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public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Los Angeles Steamship Company be and it is hereby authorized to issue and deliver to the owners of the steamships "Yale" and "Harvard" $3,500,000 par value of its common capital stock, provided that there be transferred to the Los Angeles Steamship Company a good title to the steamship "Yale" and steamship "Harvard," subject only to the mortgage indebtedness due upon said vessels to the Government of the United States.

The authority herein granted is subject to further conditions as follows:

1. Los Angeles Steamship Company shall keep such record of the issue and delivery of the stock herein authorized as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

2. The authority herein granted will apply only to such stock as may be issued and delivered on or before September 30, 1921.

Dated at San Francisco, California, this second day of May, 1921.

DECISION No. 8912.

IN THE MATTER OF THE APPLICATION OF CITY OF OAKLAND, A MUNICIPAL CORPORATION, FOR PERMISSION TO CONSTRUCT A GRADE CROSSING ACROSS THE TRACKS OF THE SOUTHERN PACIFIC COMPANY, SO AS TO CONNECT THE WESTERLY TERMINUS OF SEVENTH STREET, AS THE SAME NOW EXISTS, WITH THE EASTERLY END OF SEVENTH STREET, AS THE SAME IS NOW BEING CONSTRUCTED.

Application No. 5950.

Decided May 2, 1921.

In connection with the construction of Seventh street across the tracks of Southern Pacific Company in the city of Oakland, the Commission permits the construction of such crossing at grade, due to the light traffic using same at the present time, a separation of grades to be effected prior to the beginning of operation of a proposed new auto ferry the patrons of which will use the crossing in question.

Leon E. Gray, for City of Oakland.

E. J. Foulds, for Southern Pacific Company.

T. P. Wittschen, for County of Alameda.

W. H. Morrissey, for Six-Minute Ferry Company.

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BY THE COMMISSION.

SUPPLEMENTAL OPINION.

In this application the city of Oakland asks permission to construct Seventh street extending westerly at grade across four main line tracks of the Southern Pacific Company, the proposed crossing being located approximately 450 feet west of Bay street, Oakland.

It is proposed to close a private crossing maintained by the railroad on its vehicular roadway adjacent to and on the south of Seventh street, extending westerly across these same four tracks, this private crossing being adjacent to the proposed crossing.

In its Decision No. 8143, dated September 24, 1920, the Commission authorized the construction of the proposed crossing subject to certain conditions.

Subsequent thereto, by letters dated October 6 and 7, 1920, Southern Pacific Company drew attention to the probability of the installation of a new automobile ferry—Six-Minute Ferry Company—between San Francisco and Oakland with one terminus at the westerly end of Seventh street and asked that in view of the probability of large automobile traffic that the matter be reopened and an order issued prescribing the separation of grades at the point in question. It stated further that it believed this should be done before any expenditures were made incident to the installation of pavement of a permanent type or the installation of protective devices at the proposed grade crossing.

The city of Oakland, by letter dated January 13, 1921, also asked for rehearing on the same grounds as those of the Southern Pacific Company. The city asked further that the county of Alameda be made a party to the proceedings. The Commission thereupon gave notice of hearing on the question of recission, alteration or amendment of prior order and a public hearing was held before Examiner Handford at Oakland on February 23, 1921.

At this hearing the Southern Pacific Company asked that in view of the uncertainty of the commencement of operation by the Six-Minute Ferry Company the original order be allowed to stand until the plans for increasing the vehicular traffic on Seventh street were proximate as to warrant the immediate expenditure for a separation of grades, the time as to when the grades should be separated to be left to the Commission. It was stated further that some five months had elapsed since the Six-Minute Ferry Company had announced its intention of installing an automobile ferry to San Francisco and had contracted with the city of Oakland for the location of its ferry slips on the city's property. With minor exceptions the city of Oakland agreed.

Various estimates were introduced as to the cost of grade separation. The Southern Pacific Company favored an overhead crossing with a

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clear span across the four tracks located along the line of Seventh street produced straight westerly, this point of crossing being about two hundred feet to the north of the proposed grade crossing. A one-span pony truss steel bridge over the tracks and a timber approach at each end the railroad engineers estimated would cost $125,000. The following tabulation shows the estimated cost by the Southern Pacific Company of various structures across the existing four tracks only and located in Seventh street as it now exists.

Estimated Costs of Various Types of Overhead Structures.
(All in Seventh street and over existing four tracks.)

Type of crossing over tracks.	Type of approach West	Type of approach East	Estimated Cost
(1) One 230-foot through steel span	Concrete	Concrete	$316,660 00
(2) One 230-foot through steel span	Concrete	Timber	240,710 00
(3) One 230-foot through steel span	Timber	Timber	164,760 00
(4) Pony truss steel spans (One 108 foot and 126 foot)	Concrete	Concrete	310,300 00
(5) One 108 foot and one 126 foot	Concrete	Timber	234,350 00
(6) One 108 foot and one 126 foot	Timber	Timber	158,400 00

The city engineer of Oakland testified that he favored a subway and was opposed to any kind of an overhead structure. He is, however, agreed that overhead structures would cost approximately as estimated in the above tabulation.

A subway in Seventh street was estimated by Southern Pacific engineers to cost from $420,000 to $953,000, the former figure covering a short subway under the existing four tracks and the latter a longer subway under the existing four tracks and also the present Cedar street tracks when relocated to a point about five hundred feet east of the proposed grade crossing.

The city of Oakland in its Exhibit No. 4 also submitted plans and estimates, all on the line of Seventh street as it now exists.

A timber overhead crossing was estimated to cost $37,000, a steel overhead crossing $255,000 and a subway $315,000, the subway being under the four existing tracks only. Estimates were also submitted for the extension of the present elevated tracks of the electric line, $240,000 being estimated for timber construction and $830,000 for steel construction. Such extensions do not, however, fit into an ultimate plan and are not now favored by any of the interested parties.

The city of Oakland's plan and estimate for a subway as stated were based on a twenty-four-foot roadway, with a six-foot sidewalk outside of the main barrel. The estimate for a subway with a forty-foot roadway (thirty-foot clear roadway and two five-foot sidewalks inside) was $420,000, practically the same as the Southern Pacific engineer's estimate.

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Our engineering department reports that it has, since, and even before, the rehearing called informal conferences of engineers representing the city, the Southern Pacific Company and the Commission in an attempt to arrive at plans and estimates agreeable to these interested parties. The result has been an agreement as to the principal dimensions and general design of a suitable subway located in Seventh street as it now exists; that is, in the 80-foot strip owned by the city of Oakland. It is agreed that the subway should have 4 per cent approach grades and a 30-foot clear roadway with one six-foot sidewalk built outside the main subway and lighted through openings in the sidewalks. Such a structure has been estimated to cost, with two five-foot sidewalks inside, if built of plain concrete, $465,000 and if built of reenforced concrete, with one sidewalk outside, $400,000. The city favors the reenforced concrete type of construction while the railroad favors the plain concrete, the latter agreeing, however, that if built of reenforced concrete the cost would be approximately $420,000. The estimates for the overcrossing as shown in the tabulation, *supra*, were also made on the agreed basis of a thirty-foot roadway, but with 5 per cent grades for the timber approaches.

These figures are introduced to indicate the magnitude and expense of grade separation and as a reason for the construction of a grade crossing to be used until the traffic warrants separation of grades.

The representative of the Six-Minute Ferry Company stated that since its lease from the city of Oakland was obtained last September it had been working on the designs of their boats and the plans and specifications were due on the day of the hearing, that it expected to have its plans adopted by its board of directors the following week and it would then submit the plans and specifications for bids, that it is preparing and has prepared to preceed to award its contracts as soon as the bids were received. It was also stated that the present delay was in the plans for the construction of the ferry slip on Oakland water front due to arrangement of details between its engineer and the harbor engineer of Oakland. The record shows that in the matter of finance the ferry company's representative stated that it had been taken care of and while the Six-Minute Ferry Company was selling stock the ferry would be put in if it never sold another share, some $933,000 worth having been sold. It also shows that Six-Minute Ferry Company offered to contribute $500 toward the expense of installing the grade crossing.

Evidence points to the fact that the grade separation can be made in about the same time as the ferry slips and the boats can be constructed and it seems reasonable then to conclude that there is no necessity for a commencement of separating the grades of Seventh street

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on the Southern Pacific tracks until the construction of the Six-Minute Ferry Company's boats and slips are actually started. It must be taken into consideration, however, that this conclusion is predicated upon the present relatively light vehicular traffic on Seventh street.

Because of the expense and since both the applicant and the railroad are agreed that the crossing at grade should be installed until traffic conditions warrant the separation of grades, we are of the opinion that this is the proper solution at this time.

The original order provided that the crossing should be protected by crossing gates to be moved from the nearby private crossing and also by an automatic flagman, the expense of installing these devices to be borne equally by the city of Oakland and the Southern Pacific Company.

The installation of an automatic flagman at this location would, we believe, on account of the four tracks and very heavy railroad traffic, introduce a possibility of confusion to vehicular traffic. Also, because of the now more probable temporary nature of this grade crossing we are of the opinion that that part of the original order which directed the installation of an automatic flagman should be changed to provide in lieu of the automatic flagman, for continuous operation of the gates throughout the twenty-four hours, if traffic conditions warrant it.

The board of supervisors of Alameda County protested against the inclusion of the county of Alameda as a party to be charged with part of the cost of any grade separation, should one be ordered. The city of Oakland, which had suggested this, argued that the county should be included, supporting its contention by stating that the installation of an automobile ferry giving more frequent and more rapid service would be of material benefit to Alameda County and that as a beneficiary the county should bear a part of the expense. It was also pointed out that Seventh street would become a connection between the main county highway and San Francisco.

On the part of the county, it was argued that the county could not levy any tax upon the city, the moneys from which is generally used for road purposes; that the county government had no control over municipal thoroughfares and could not appropriate money for roads over which it had no control and that as a matter of fair dealing between the county and the city, abstract fairness should dictate that the Commission should assess no part of the cost of this grade separation upon the county government because the county had been liberal in appropriations for grade crossing elimination.

The representative of the county of Alameda also stated that if it were made a party to these proceedings the county of Contra Costa

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should also be made a party, and continuing this argument, all of the cities in the neighborhood of Oakland should be made parties.

Aside from the legal questions involved, that is, of the power of the county to collect taxes and appropriate tax money for road improvement on roads without the control of the county, we must recognize that the county of Alameda has been liberal and active in the elimination of grade crossings at dangerous points in the outlying portions of the county. The question of further participation by Alameda County in these proceedings need not, however, be decided at this time.

SUPPLEMENTAL ORDER.

A public hearing having been held on the question of rescission, alteration or amendment of prior order and the Commission being fully apprised in the premises and of the opinion that certain amendment should be made in this prior order,

It is hereby ordered, that Decision No. 8143 be and the same is hereby altered as follows, but not otherwise:

On page 4, condition No. 3, the words "and also by an automatic flagman" be and the same are hereby stricken out.

The foregoing supplemental opinion and order are hereby ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of May, 1921.

DECISION No. 8913.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE EXECUTION OF A MORTGAGE AND THE ISSUANCE OF BONDS.

Application No. 6000.

Decided May 2, 1921.

Chaffee E. Hall, for Applicant.

LOVELAND, *Commissioner.*

FIRST SUPPLEMENTAL OPINION.

Great Western Power Company of California in its first supplemental application filed in the above entitled matter, asks permission to issue, pledge and exchange $2,205,000 of its series "B" 7 per cent first and refunding mortgage bonds.

In the original petition in this proceeding, applicant asked permission to issue and sell $3,500,000 of general mortgage 8 per cent 10-year convertible bonds, and to issue and pledge with the trustee under the general mortgage and subsequently to exchange for such general mortgage bonds, $3,500,000 of series "B" first and refunding

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mortgage bonds. In making its decision (No. 7984, dated August 17, 1920) on the original petition, the Commission authorized applicant to issue and sell the $3,500,000 of general mortgage bonds, but held in abeyance permission to issue the $3,500,000 of series "B" bonds pending a proper showing being made by applicant on which the Commission could predicate an order authorizing the issuance of first and refunding mortgage bonds.

The testimony of Mr. L. A. Reynolds, applicant's auditor and assistant treasurer, shows that applicant, under the provisions of its first and refunding mortgage, is entitled to issue $2,205,000 of series "B" first and refunding bonds, and that the trustee under the first and refunding mortgage has certified bonds to that amount.

The company intends to exchange the series "B" bonds for a like amount of general mortgage bonds when the latter are called for redemption on the basis of 105 and accrued interest for general mortgage bonds at par and accrued interest. On demand of holders of general mortgage bonds, the series "B" bonds may be exchanged for general mortgage bonds at 102½ and accrued interest for general mortgage bonds at par and accrued interest. If any such exchange be effected, applicant will pay the premium in cash.

Pending such exchange, the company requests permission to pledge the $2,205,000 of bonds as security, in part, for the $3,500,000 of general mortgage bonds authorized to be issued by Decision No. 7984.

I herewith submit the following form of order:

SECOND SUPPLEMENTAL ORDER.

Great Western Power Company of California, having applied to the Railroad Commission for permission to issue, pledge and exchange bonds, a public hearing having been held and the Railroad Commission being of the opinion that the application should be granted,

It is hereby ordered, that Great Western Power Company of California be and it is hereby authorized to issue $2,205,000 of its series "B" first and refunding mortgage bonds and to pledge them with the trustee under applicant's general mortgage as security in part for the $3,500,000 of first mortgage bonds authorized to be issued by Decision No. 7984, dated August 17, 1920.

It is hereby further ordered, that Great Western Power Company of California be and it is hereby authorized to sell or to exchange said $2,205,000 of series "B" bonds, herein authorized, for a like amount of general mortgage bonds, upon the following conditions:

1. The bonds herein authorized to be issued may be exchanged for a like amount of general mortgage bonds when, and as, said general mortgage bonds are called for redemption, on the basis of 105 and

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accrued interest for general mortgage bonds at par and accrued interest, applicant paying the premium of five per cent in cash.

2. The bonds herein authorized may be sold for cash at par, and the proceeds used to purchase a like amount of general mortgage bonds at 105 and accrued interest when, and as, said general mortgage bonds are called for redemption, applicant paying the premium of five per cent with moneys derived otherwise than from the sale of said series "B" bonds.

3. On demand of the holders of general mortgage bonds, at any time after series "B" bonds have been pledged to the full par value of general mortgage bonds outstanding, the bonds herein authorized may be exchanged on the basis of 102½ and accrued interest, for general mortgage bonds at par and accrued interest, applicant paying the premium of two and one-half per cent in cash.

4. Applicant shall keep such records of the issue, pledge and exchange of the bonds herein authorized, as will enable it to file, on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

The foregoing first supplemental opinion and second supplemental order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of May, 1921.

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DECISION No. 8921.

IN THE MATTER OF THE APPLICATION OF COLORADO RIVER TELEPHONE COMPANY, A CORPORATION, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT AND MAINTAIN AND OPERATE A TELEPHONE AND TELEGRAPH LINE FROM BLYTHE TO NILAND.

Application No. 5375.

IN THE MATTER OF THE APPLICATION OF COLORADO RIVER TELEPHONE COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUANCE AND SALE OF STOCK AND OF CORPORATION NOTES.

Application No. 6083.

Decided May 3, 1921.

Ernest Irwin, and *S. D. Kamrar*, for Applicant.
N. R. Powley, for The Pacific Telephone and Telegraph Company.
P. R. Ferguson, for Interstate Telegraph Company.

BY THE COMMISSION.

OPINION.

Colorado River Telephone Company applies for authority to construct, maintain and operate a telephone and telegraph line between Blythe, in Riverside County, and Niland, in Imperial County, and to issue stock and notes to finance the proposed construction, and retire certain present indebtedness.

A public hearing upon both applications was held by Examiner Westover at Los Angeles.

The proposed toll line will extend via Ripley and Rannells and generally follow the old Butterfield stage route and the Blythe-San Diego wagon road, a distance of about 76 miles. At Niland the line will connect with the lines of The Pacific Telephone and Telegraph Company.

Applicant owns and operates a telephone system in Blythe and vicinity, a community of about 7000 people with no present telephone communication with other communities. The proposed line would allow direct communication with Imperial Valley points, Los Angeles and vicinity, and other points. The estimated cost of construction is $25,170.13. The country to be built through is desert and mountainous in character. The franchises from Riverside and Imperial counties have been procured.

Applicant estimates its revenue from the proposed new toll line for the first four years at an average of $4,000 per year, and the cost of maintaining and operating it for the period at an average of $2,250 per year. Its proposed rates, filed as an exhibit since the hearing, should be modified, however, to those set forth in the order herein, to remove discrimination in rates between its present and proposed rates. It is

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quite possible that the required reduction in the proposed initial rates will stimulate traffic so that the estimated net earnings from the proposed line will not be reduced.

Applicant was incorporated in September, 1915, with an authorized capital stock of 25,000 shares of the par value of $100 each, of which 9593 shares are now outstanding. Applicant has no bonded indebtedness. As of December 31, 1920, applicant reports $2,000 of notes and $11,995.97 of accounts payable, making a total indebtedness of $13,995.97. Applicant's manager has submitted an appraisal as of July 1, 1920, in which he reports the estimated cost of the telephone properties at $33,703.80. His appraisal shows a cost per station of $132. This cost per station appears large to the telephone engineering division of the engineering department of the Railroad Commission. Mr. A. L. Wilson, telephone and telegraph engineer of the Railroad Commission, is of the opinion that a cost of $90 per station is high for a plant of the character such as applicant's.

Assuming a cost of $90 per station, the value of the cost of applicant's plant would be approximately $23,000. Applicant intends to build a toll line from Blythe to Niland at an estimated cost of $25,170. The cost of this line added to the estimated cost of $23,000 for the properties now in use, makes a total of $48,170.

Applicant asks permission to issue $15,407 par value of its common stock, $20,000 face value of five-year 7 per cent notes secured by trust deed, and $5,447.44 face value of unsecured five-year 8 per cent notes. The testimony shows that applicant believes that it can sell its stock and notes at 95 per cent of their face value, thus netting $38,812.07.

The proceeds realized from the sale of its stock and notes, applicant intends to use to pay the cost of constructing the proposed toll line from Blythe to Niland, to refund accounts payable and to pay the cost of additions to its local plant at Blythe. Of the proceeds, approximately $25,170 will be used to pay the cost of the toll line, $11,367.79 to refund accounts payable, and $2,274.26 for additions to applicant's local exchange properties at Blythe. Assuming that the stock and notes applied for are issued, and adding to such stock and notes applicant's outstanding stock, it will have outstanding $53,075.62 of stock notes against a property having an estimated cost of $48,170, if we assume an estimated cost of $90 per station.

For 1920 applicant reports gross corporate income of $1,178.48. This amount represents the company's operating revenues, less operating expenses, including taxes. As reported above, applicant estimates its net earnings from the new toll line at $1,750 per annum. Applicant

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is of the opinion that its earnings after the construction of the toll line will be more than sufficient to pay the interest on the notes it desires to issue.

Applicant has not filed a copy of its proposed trust deed. No final order authorizing the issue of the $20,000 of notes can be made in this proceeding until a trust deed satisfactory to the Commission has been filed.

It appears from the testimony that both of the applications should be granted subject to the conditions of the following order:

ORDER.

Colorado River Telephone Company, having applied to the Railroad Commission for permission to exercise franchise rights, issue $15,407 of stock, $25,447.44 of notes and execute a trust deed, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense or to income,

It is hereby ordered, that Colorado River Telephone Company be and it is hereby authorized to issue $15,407 of common stock; $20,000 face value of five-year 7 per cent secured notes and $5,447.44 of five-year 8 per cent unsecured notes, all subject to the following conditions:

1. The stock and notes herein authorized to be issued shall be sold by applicant for cash at not less than 95 per cent of their par value or face value and accrued interest.

2. None of the $20,000 of secured notes herein authorized to be issued shall be issued until the Commission has authorized applicant to execute a trust deed securing the payment of said notes.

3. The proceeds obtained from the sale of the stock and notes may be used by applicant to pay the cost of constructing the proposed toll line from Blythe to Niland and to pay accounts payable, all of which are referred to in these applications, or for such other purposes as the Railroad Commission may authorize by supplemental order or orders.

4. The authority herein granted to issue notes will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5. Colorado River Telephone Company shall keep such record of the issue and sale of the stock and notes herein authorized and of the

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disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted to issue stock and notes will apply only to such stock and notes as may be issued, sold and delivered on or before December 15, 1921.

The Railroad Commission hereby declares, that public convenience and necessity require and will require Colorado River Telephone Company to construct the toll line from Blythe to Niland, referred to in these applications, and to exercise the rights and privileges conferred by Ordinance No. 57 of the board of supervisors of Imperial County, a copy of which ordinance has been filed in Application No. 5375 and marked Exhibit "A," provided that Colorado River Telephone Company, its successors and assigns, will never claim before this Commission or any other public body a value for the rights and privileges secured in said ordinance in excess of $162.50, the amount paid to Imperial County to secure said rights and privileges; and provided further that Colorado River Telephone Company will file with the Commission within thirty (30) days of the completion of the proposed toll line, and charge, until otherwise authorized by the Commission, the following rates for long distance telephone toll and telegraph service between Blythe and Niland:

A. Toll Rates.

Station to station calls, two minutes	$0 60
Each additional minute	20
Person to person calls, two minutes	75
Each additional minute	25
Completed appointment and messenger calls, two minutes	90
Each additional minute	30
Report charge	15
Station to station calls, 8.30 p.m. to 12 midnight, two minutes	30
Each additional minute	10
Station to station calls, midnight to 4.30 a.m., two minutes	25
Each additional minute	05

B. Telegraph Rates.

Day message, 10 words	36
Each additional word	025
Night message, 10 words	30
Each additional word	012
Day letter, 50 words	54
Each additional 10 words	11
Night letter, 50 words	36
Each additional 10 words	075

Dated at San Francisco, California, this third day of May; 1921.

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DECISION No. 8924.

IN THE MATTER OF THE APPLICATION OF L. A. JONES AND ROBERT KALTENBORN FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE FREIGHT SERVICE BETWEEN SAN BERNARDINO AND COLTON AND MECCA, CALIFORNIA, AND INTERMEDIATE POINTS.

Application No. 6582.

Decided May 3, 1921.

CERTIFICATES—AUTO STAGE LINES—VIOLATION OF ORDERS.—The Railroad Commission denies a certificate permitting the operation of an automobile stage line to an applicant when it is shown that such applicant was heretofore operating in violation of the law and when ordered to discontinue such service, he continued operation both in violation of law and the order of this Commission.

JURISDICTION—AUTO STAGES—OPERATION OF.—The law governing the operation of automobile stage lines does not give a person any more right to transport truck loads than it does to transport smaller quantities. The act applies to those "in the business of transportation of persons or property, or as a common carrier, for compensation, over any public highway in this State between fixed termini or over a regular route, and not operating exclusively within the limits of an incorporated city or town or of a city and county," excepting only taxicabs, hotel busses, sightseeing busses or other carriers not within the definition.

Applicant's petition for certificate to operate auto freight service between San Bernardino and Mecca, denied.

McNabb and Hodge, for Applicants.

H. W. Kidd, for Boutell and Fuqua, operating as Coachella Valley Transportation Company, for T. R. Rex, for A. V. Curphey, and for Thos. Morgan.

BY THE COMMISSION.

OPINION.

L. A. Jones and Robert Kaltenborn apply for authority to operate freight truck service between San Bernardino and Colton and Mecca, and intermediate points.

A public hearing upon the application was held by Examiner Westover at San Bernardino.

By leave granted at the hearing, the application was amended by striking out Beaumont and Banning from the list of points proposed to be served. Applicants stated at the hearing that they did not desire to do any local business between San Bernardino and Colton, or to or from Beaumont or Banning, but only to operate through between Colton and San Bernardino on the one hand, and Cabazon, Palm Springs, Indio, Coachella, Thermal and Mecca on the other hand, and that any order entered in the matter might so limit the proposed operation. Thereupon T. R. Rex, operating between Los Angeles, San Bernardino and Colton, refrained from protesting, and no protest was made except on behalf of the Southern Pacific Company and Boutell & Fuqua, operating under the fictitious name of Coachella Valley Trans-

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portation Company, hereinafter referred to, for convenience, as the Coachella company.

The carriers now serving in the territory in question are the Southern Pacific Company, serving by rail all of the points as well as Los Angeles and points east and south of Mecca, and numerous other points in the State of California; the Coachella company, serving all of the points except San Bernardino by means of its present line between Los Angeles and Mecca via Riverside and also via Colton, with an application to the Commission for authority to extend its operations between Colton and San Bernardino, which application has been heard and is now under submission.

Shippers from San Bernardino, Colton and Coachella testified concerning service by present carriers. The testimony does not show any complaint against the service of the Southern Pacific Company, except that it does not furnish a pick-up and delivery in connection with its rail service. Their testimony showed complaints against the service of the Coachella company on account of delays in delivery, loss of or damage to goods, and, in one instance, delay in remitting for c.o.d. collection. It also appeared that these delays were caused by a flooded condition of the road between Thermal and Mecca, which at times required shipment by rail around the flooded area, and that no claims had been made for lost or damaged goods referred to in the direct testimony although drivers had authority to settle such claims upon presentation. These complaints are principally of a character which can be readily obviated or satisfied by the carrier. There was no testimony tending to show that goods had been refused transportation. In this instance, the complaints are not sufficient to show that public convenience and necessity require additional service because of them. The Coachella company operates six trucks and six trailers in its present authorized service and should be able to adequately care for the business.

It appears from the testimony that L. A. Jones, one of the applicants, began operating a truck between San Bernardino, Colton and Mecca without authority and without knowledge, he claimed, that the law required previous authority for such operation, but that the Commission advised him of the provision of the law and notified him about December 1, 1920, to quit operating; yet he continued, nevertheless, in defiance of the law and of the Commission's order, until about the time this application was filed on February 21, 1921. He testified, in attempted justification of his operation that after being ordered by the Commission's inspector to quit he had been advised by some other truck man that he had a right to operate and that he supposed he had from the fact that he confined his operation to straight loads. The law does not give any person any more right to transport straight loads

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or truck loads than it does to transport smaller quantities. The act applies to those "in the business of transportation of persons or property, or as a common carrier, for compensation, over any public highway in this State between fixed termini or over a regular route, and not operating exclusively within the limits of an incorporated city or town or of a city and county," excepting only taxicabs, hotel busses or sightseeing busses or other carriers not within the definition. Those interested in the matter will always find it far safer to follow the advice of the Commission, which is engaged in interpreting and applying the law, rather than that of truck drivers or others who may have ulterior motives or interested reasons for giving erroneous advice. Wilful violation of the law is sufficient to show unfitness of such person for operating "transportation companies" or public utilities, although the Commission has in proper instances granted authority where operation had been continued only in good faith without knowledge of the requirement of the law. As the statute in question had been in operation nearly four years, it is but fair to assume that everyone interested in the subject matter has knowledge of its existence, and the maxim, "ignorance of the law excuses no one," should be applied.

ORDER.

A public hearing having been held upon the above application, the matter being submitted and ready for decision;

The Railroad Commission hereby declares that public necessity and convenience do not require the operation by L. A. Jones and Robert Kaltenborn of automotive freight truck service between San Bernardino and Colton and Cabazon, Palm Springs, Indio, Coachella, Thermal and Mecca.

It is hereby ordered, that the application be and it is hereby denied.

Dated at San Francisco, California, this third day of May, 1921.

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DECISION NO. 8925.

CITY OF CLAREMONT, A MUNICIPAL CORPORATION,

vs.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, A CORPORATION, AND PACIFIC ELECTRIC RAILWAY COMPANY, A CORPORATION.

Case No. 1518.

Decided May 3, 1921.

GRADE CROSSINGS—PROTECTION OF—WIGWAG SIGNALS—OPERATION OF.—In dismissing the complaint of the city of Claremont in which it petitions that the Railroad Commission compel defendant railroads to install crossing gates at the Alexander street crossing in said city, the Commission holds that a wigwag signal operating ten seconds before crossing of trains is insufficient and Santa Fe Railway is directed to so arrange its automatic flagman at the above named crossing so that it will ring and operate 25 seconds before westbound trains running at a speed of 60 miles per hour reach the crossing.

Joseph A. Allard, Jr., for Complainant.

M. W. Reed, for Atchison, Topeka and Santa Fe Railway Company, Defendant.

Robert C. Gocker, for Pacific Electric Railway Company, Defendant.

BRUNDIGE, *Commissioner.*

OPINION.

In this proceeding the city of Claremont alleges that the crossing of Alexander avenue and the tracks of the Atchison, Topeka and Santa Fe Railway Company and Pacific Electric Railway Company are extremely dangerous; that several persons have been killed or injured thereat; that trains of both defendants cross the crossing at a high rate of speed and that public convenience and interest require the installation of gates and their operation throughout 24 hours each day and asks that the Commission issue an order directing the installation and operation of crossing gates.

In its answer the Pacific Electric alleges that because of the distance between them the Santa Fe and Pacific Electric crossings properly constitute two separate and distinct crossings rather than one, as mentioned and treated in the application and denies that its crossing is dangerous, alleging that casualties that may have occurred could have been avoided by the exercise of ordinary care; denies that its trains cross the crossing in excess of 20 miles per hour, alleges there is no necessity for the installation and operation of gates and asks that the complaint be dismissed.

The Santa Fe denies that its trains cross the crossing at a high rate of speed and that public convenience and interest require the installation and operation of gates.

A public hearing was held in Claremont on March 23, 1921.

The Pacific Electric Company has one track across Alexander avenue and the Santa Fe three tracks, one main line and two side tracks, the

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main line being located between the side tracks which are each distant 14 and 15 feet, respectively, from the main line.

Alexander avenue is 60 feet wide between property lines and is a macadamized street. The Pacific Electric crossing is protected by an automatic flagman located north of the track on the west side of the street, by a suspended sign over the middle of the street and by a standard crossing sign located at the northeast corner of Alexander avenue and First street. There is also a standard warning sign located on the east side of Alexander avenue about 150 feet from the crossing. The Santa Fe crossing is protected by a standard crossing sign north of the tracks on the west side of Alexander avenue and an automatic flagman south of the tracks on the east side of the street. There is also a standard warning sign on the west side of Alexander avenue about 150 feet from the crossing.

Mr. George Jenks, mayor of Claremont, testified that the Southern California Edison Company's office on the northwest corner of Alexander avenue and First street and the orange grove to the north and west of it constitute an important obstruction to the view of the Pacific Electric crossing and that the feed store on the west side of Alexander avenue and 30 feet south of the Pacific Electric main line obstructed the view of both the Pacific Electric and Santa Fe crossings. In his opinion, the crossing gates should be installed entirely at the expense of the railroad but he was unable to state if the city was willing to bear part of the cost of the installation of gates.

The city engineer and superintendent of streets introduced a traffic count, indicating movement of 353 vehicles across the Santa Fe tracks and 367 across the Pacific Electric tracks between six o'clock a.m. and six o'clock p. m., stating, however, that in the packing season there was a large use of the crossing at the time of his count on November 22 and 23, 1920, his estimate being 50 per cent in excess of the figures he submitted. He stated that Alexander avenue was the main crossing to the south of the city of Claremont and was used by people going to Pomona. In his judgment, the Santa Fe crossing is more dangerous than that of the Pacific Electric, particularly because of the trees on the east side of Alexander avenue and the fact that in his opinion the Santa Fe trains exceed 60 miles an hour when westbound and with prevailing winds from the west, a train whistle cannot well be heard. He testified further that he observed that 10 seconds had elapsed between the time the automatic flagman began to operate and the westbound Santa Fe passenger train reached the crossing.

Here it may be well to mention that the signal engineer of the Santa Fe testified that approximately 1400 feet would be covered by the train in this ten seconds. This corresponds to a speed of approximately 95 miles per hour.

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The city engineer also stated that in his judgment there was no danger at the Pacific Electric crossing for vehicles coming from the north and no danger for vehicles from the south from westbound Pacific Electric trains.

Other witnesses for the city gave evidence as to accidents.

The Pacific Electric was granted the privilege of investigating the accidents referred to and of filing with the Commission any report of these accidents which its claim department might make.

As a result, it reports on both of the fatal accidents specifically referred to—one of which involves a man 92 years old and evidently the fault of deceased and the other an accident the cause of which is not apparent.

The Santa Fe signal engineer, Mr. E. Winans, stated that the Santa Fe wigwag was installed about seven years ago and that there had been only three failures within the last three years. He also stated that crossing gates for one railroad only would cost approximately $2,200 and the cost of operation per year for 24 hours' service would be approximately $3,500. As to his judgment between the relative effectiveness of gates and automatic flagmen it was also stipulated that evidence submitted in Cases 1519 and 1521 would, where pertinent, be considered as evidence in this proceeding, and reference is hereby made to the Commission's decision in Case 1519.

The Pacific Electric brought out that there was a speed restriction of 20 miles per hour at Alexander avenue and that this was lived up to. The number of passenger trains on the Pacific Electric was stated at 62, part of which were the Pomona local trains, and the number of express and freight trains light.

The Pacific Electric also made a check of the travel over Alexander avenue on Monday, March 21, 1921, from 8 a. m. to 6:30 p. m., with the following result:

Automobiles	372
Horse-drawn vehicles	33
Motorcycles	44
Pedestrians	83

The vehicular movement over the crossing is relatively light and the view of approaching trains, while not good, I cannot consider badly obstructed and after careful consideration of the evidence in this case and a personal inspection of the crossing, I am convinced that conditions as they exist do not warrant my recommending the installation of crossing gates.

The combination of the evidence of the city engineer and the signal engineer of the Santa Fe resulting in a computed speed in excess of 90 miles an hour, I cannot pass without mention. The city engineer upon cross examination stated that while he felt quite sure of his

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observation of the time, as noted above, he also admitted that the watch used for the purpose was not of the best.

At the hearing, the Santa Fe signal engineer was not able to state the exact length of the track circuit to the east of Alexander avenue, which operates the automatic flagman for westbound trains. Subsequent to the hearing our engineering department investigated this matter and reports that it is too short to give adequate warning for the high speed of Santa Fe westbound trains as they descend a grade of approximately 0.8 per cent through the easterly part of Claremont and I am convinced that this track circuit should be rearranged on the basis of 25 seconds warning for a speed of 60 miles per hour.

I recommend the following form of order:

ORDER.

The city of Claremont having complained of the dangerous condition of the grade crossing of Alexander avenue and Atchison, Topeka and Santa Fe Railway Company and Pacific Electric Railway Company in the city of Claremont and asked that the Commission order the installation of crossing gates and their operation throughout 24 hours each day, a public hearing having been held and the Commission being fully apprised in the premises;

It is hereby ordered, that this case be and the same is hereby dismissed, and

It is further ordered, that the Atchison, Topeka and Santa Fe Railway Company arrange, within 60 days from the date of this order, that its automatic flagman at Alexander avenue ring and operate for 25 seconds before westbound trains moving at the rate of 60 miles per hour reach Alexander avenue.

The foregoing opinion and order are hereby ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of May, 1921.

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DECISION No. 8926.

CITY OF LA VERNE, A MUNICIPAL CORPORATION,

vs.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, A CORPORATION, AND PACIFIC ELECTRIC RAILWAY COMPANY, A CORPORATION.

Case No. 1519.

Decided May 3, 1921.

GRADE CROSSINGS—PROTECTION OF.—In connection with complaint of the city of La Verne petitioning that this Commission compel defendants to construct crossing gates or separate grades at the Lincoln avenue crossing in said city, the Commission holds that neither crossing gates or the separation of grades is necessary when the evidence shows that the traffic over such crossing is not particularly heavy, that the view of both crossings is good in all directions and that the automatic flagman rings for a sufficiently long period of time before trains reach the crossing.

Joseph A. Allard, Jr., for Complainant.

M. W. Reed, for Atchison, Topeka and Santa Fe Railway Company, Defendant.

Robert C. Gocker, for Pacific Electric Railway Company, Defendant.

BRUNDIGE, *Commissioner*.

OPINION.

This is a complaint by the city of La Verne alleging the dangerous condition of the grade crossing of Lincoln avenue, also known as H street, La Verne, and the tracks of Atchison, Topeka and Santa Fe Railway Company and Pacific Electric Railway Company. It is alleged that several persons have been killed or injured at these crossings; that trains of both of the defendants cross Lincoln avenue at a high rate of speed and that public convenience and interest require the installation and operation of gates or the separation of grades of the street and tracks. It is asked that defendants be ordered to install and operate crossing gates for 24 hours each day, or that they be required to eliminate the grade crossings by the separation of grades.

In its answer the Pacific Electric alleges that since its tracks are distant 116 feet from the Santa Fe tracks the crossing of Lincoln avenue by these two railroads properly constitute two separate crossings instead of one, as mentioned and treated in the complaint. It denies that its crossing is dangerous and alleges that any casualties that may have occurred were avoidable by the exercise of ordinary care and caution; that its trains do not cross Lincoln avenue at a speed in excess of 25 miles an hour; that for one traveling on the highway there is absolutely no obstruction of view of approaching trains and that the traffic at the crossing is not of sufficient density to justify either the installation of crossing gates or the separation of grades.

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The Santa Fe also denies the dangerous character of its crossing; that its trains cross Lincoln avenue at a high rate of speed and the further allegation that public convenience and interest require the installation of crossing gates or the elimination of this crossing as a grade crossing.

A public hearing was held in La Verne on March 23, 1921.

Lincoln avenue, La Verne, is the principal street used by automobiles between Pomona and either La Verne or the Foot Hill boulevard. The Santa Fe has one main line track crossing this street. The Pacific Electric also has one main line track and a spur track located approximately 16 feet north of its main line track, which is 116 feet south of the Santa Fe track.

Lincoln avenue is 80 feet wide between property lines and 50.9 feet wide between curb lines. It is paved from curb to curb with an excellent pavement in very good condition. The Santa Fe crossing is now protected by a standard crossing sign on the east side of Lincoln avenue and north of the track and by an automatic flagman on the west side of Lincoln avenue and south of the track. There is also a standard warning sign on the west side of the street approximately 110 feet north of the track. The Pacific Electric crossing is protected by a standard crossing sign and an automatic flagman both on the east side of Lincoln avenue and south of the track. There is also a warning sign on the same side of the street about 250 feet from the crossing.

At a point 50 feet south of the Santa Fe track the view is unobscured for about a mile to the west and one-half mile to the east and from a point 50 feet north of the track for 1200 feet to the west and 2000 feet to the east.

Witnesses for the city of La Verne all testified as to the dangerous condition of the crossing and several told of accidents and near accidents that had occurred. In addition it was brought out that there had been certain failures of the Pacific Electric's automatic flagman and that the proximity of the two crossings created a certain amount of confusion to travelers on Lincoln avenue which greatly increased the hazard of vehicular travel. It was also stated that trains of both the Pacific and Santa Fe cross Lincoln avenue at a very high rate of speed, but there were no results of actual tests of the speed of trains introduced.

Another fact tending to increase the danger was stated in that the Santa Fe freight trains stood on the track in such a way that the automatic flagman operated, although no train was coming, and that this condition resulted in a loss of confidence by travelers in the flagman.

The city engineer and superintendent of streets of La Verne made a count of the traffic on Sunday, March 6, 1921, from 8 a.m. to 8 p.m.,

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the weather that day being cool and cloudy, with a little rain in the evening, and another count on Wednesday, March 16, 1921, from 7:30 a.m. to 7:30 p.m., the weather this day being bright and clear. The results of these two counts are as follows:

Travel	Number March 6, 1921	March 16, 1921
Automobiles	1325	1016
Horse-drawn vehicles	5	18
Bicycles	39	22
Motorcycles	18	25
Santa Fe trains	8	12
Pacific Electric trains	16	20

He commented further that in his opinion the real danger was a possible confusion due to the two tracks, but also admitted that this was about the same condition as for any double track.

Three members of the board of trustees were asked if the city of La Verne was prepared to assume part of the expense of the separation of grades and while all stated that they were unable to speak for the board of trustees, they were of the opinion that the city was not in a position to assume this expenditure.

Alva J. Meckner, a member of the board of trustees, stated that the Santa Fe was by ordinance limited to a speed of 25 miles per hour.

The signal engineer of the Santa Fe, Mr. E. Winans, testified that in his judgment automatic flagmen were as effective as gates. This conclusion was supported by his reasons that gates were subject to a more variety of failures than the flagmen, such failures being due to human errors, breakage of gates by vehicles and, less important, mechanical failures in the gates themselves and that there were more accidents where gates were located. He also testified that gates would cost approximately $2200 and that their operation for 24 hours a day would cost $3648.24 per year.

The Santa Fe also introduced the fact that the number of trains that crossed Lincoln avenue were eleven passenger trains and eight freight trains; that La Verne is a regular stop for only one train and that the average speed eastbound was 24.6 miles per hour and westbound 32.6 miles per hour.

The signal supervisor for the Pacific Electric testified, in general, the same as the Santa Fe signal engineer, but also stated that on his road the maintainer inspected flagmen every two or three days and that the average failure per month per signal was 0.585 for the 265 odd wigwags on the Pacific Electric. On cross examination he admitted some possibility of confusion because of two tracks and that the westbound speed of the Pacific Electric trains was probably forty-five miles an hour. The Pacific Electric also introduced evidence to show that

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surprise tests indicated no speed in excess of 25 miles an hour over the crossing.

The Pacific Electric asked the privilege of referring the accidents mentioned to its claim department and of filing such record as it might have of these casualties. This has since been done and I believe I may sum up the evidence as to accidents by saying that those referred to were apparently avoidable by the use of sufficient caution in that no suit was brought and claim filed in but one case against the party. It should be noted, however, that there is always another side to the story and that I make no attempt to adjudicate the question of responsibility for these accidents.

The Pacific Electric also made a check of travel over Lincoln avenue on Saturday, March 19, 1921, from 8 a.m. to 6.30 p.m., this count resulting as follows:

Automobiles	1003
Horse-drawn vehicles	12
Motorcycles	43
Pedestrians	3

The traffic over the crossing is not particularly heavy, there is uncontradicted evidence that the view at both of these crossings is good in all directions and, further, since investigation by our engineering department at and subsequent to the hearing indicates that the automatic flagmen ring for a sufficiently long period of time for even the higher rates of speed of both the Santa Fe and Pacific Electric trains, I am convinced that the public interest does not require either the installation of crossing gates or the separation of grades at this crossing.

I recommend therefore that this case be dismissed.

ORDER.

The city of La Verne having complained of the dangerous condition of the crossings of Lincoln avenue, La Verne, and the tracks of the Atchison, Topeka and Santa Fe Railway Company and Pacific Electric Railway Company and asked that the Commission order the installation and operation of crossing gates or the separation of grades, a public hearing having been held and the Commission being fully apprised in the premises and of the opinion that the complaint should be dismissed;

It is hereby ordered, that this action be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of May, 1921.

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DECISION No. 8929.

IN THE MATTER OF THE APPLICATION OF SUGAR PINE RAILWAY COMPANY, FOR AN ORDER PERMITTING IT TO DISCONTINUE AS A COMMON CARRIER.

Application No. 6311.

Decided May 3, 1921.

COMMON CARRIERS—SERVICE OF—ABANDONMENT OF.—Irrespective of the justification of a railroad company assuming the responsibility of a common carrier, once having assumed such responsibility, it must continue such service until authorized to abandon same by the Railroad Commission. Upon a showing by applicant that its railroad is being operated at a substantial loss and that the revenue from traffic at present available is insufficient to pay operating expenses much less depreciation, maintenance and a return upon its investment, it is authorized to discontinue service as a public utility, provided, it shall promptly move all freight now available and offered for shipment by a protestant prior to November 1, 1922.

Morrison, Dunne and Brobeck, by *J. F. Schuman; Sanborn and Rochl*, by *H. H. Sanborn*, for Applicant.

J. Warne, for Madary's Planing Mill, Incorporated, Protestant.

BY THE COMMISSION.

OPINION.

Sugar Pine Railway Company, a corporation, has petitioned the Railroad Commission for an order authorizing and permitting the discontinuance of its service as a common carrier.

A public hearing on this application was conducted by Examiner Handford at San Francisco at which time the matter was duly submitted and is now ready for decision.

Applicant operates a standard gauge railroad in Tuolumne County from the station of Ralph on the line of the Sierra Railway of California to Lyon's dam, transporting no passengers, the traffic on the line consisting almost entirely in the handling of logs which originate on the logging road of the Standard Lumber Company and are transported for such lumber company to its mill located at Standard on the line of the Sierra Railway Company of California. A limited amount of freight has been handled for the Pacific Gas and Electric Company in connection with the construction work of that company and also lumber for the account of Madary's Planning Mill, Incorporated, such lumber originating at the station of Middle Camp and destined to Fresno and other San Joaquin Valley points via the line of the Sierra Railway of California and its connections. Applicant alleges that the business offered to applicants and the amount of freight carried by it has never produced sufficient revenue to defray operating expenses and a reasonable amount for depreciation or any amount on the value of investment; that the operation of the line has always been conducted at a loss and that such loss has been borne by the Standard Lumber Company which owns the entire capital stock of the applicant; that the

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physical condition of the line is such that a considerable amount of rehabilitation is immediately necessary and that the applicant does not possess funds enabling it to finance such rehabilitation.

At the hearing on this application witnesses for applicant testified as to the physical condition of the line, as to volume of traffic offered for movement and as to the revenue and expenses arising from operation. The Standard Lumber Company has leased the line of railway owned by applicant and operates its own trains over the line, handling in such trains any shipments which may be offered the Sugar Pine Railway, the revenue arising from such shipments accruing to applicant herein. The lease under which this operation is conducted was approved by the Commission under Decision No. 5415 on Application No. 3668, as decided May 23, 1918, and covers the provisions of an agreement between the Sugar Pine Railway and the lumber company, dated April 12, 1918, the lease being for a term of fifteen years. According to an exhibit filed by applicant herein, the expense of operation has resulted in a deficit since 1916; the deficits being shown in the following tabulation of operation, receipts and expenses:

	Calendar years		
	1916	1917	1918
Operating revenue	$83,426 13	$78,004 08	$22,584 20
Operating expenses	65,744 36	75,132 63	36,629 51
Net operating revenue	$17,683 77	$2,871 45	$14,045 31*
Nonoperating income	700 00	----------	3,645 16
Gross income	$18,383 77	$2,871 45	$10,400 15*
Deductions from income	20,111 07	19,837 47	6,804 16
Net income	$1,727 32*	$16,966 02*	$17,204 31*

*Indicates deficit.

During the year 1919 the following statement appears on the exhibit:

	Calendar year 1919
Operating revenue	$5,411 60
Operating expenses	3,630 35
Net operating revenue	$1,781 25
Nonoperating income	6,000 00
Gross income	$7,781 25
Deductions from income	2,959 13
Net income	$4,822 12

The figures for the year 1919 include no maintenance or depreciation costs other than for station service, shipments having been transported on the trains operated by the Standard Lumber Company under the provisions of the lease hereinabove referred to.

The granting of this application is opposed by Madary's Planing Mill, Incorporated, and by Mr. C. L. O'Brien.

Witnesses for Madary's Planing Mill testified as to the amount of lumber shipped from Middle Camp station in the period from 1911 to

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1920 inclusive and it appears that there is at the present time approximately 3,000,000 board feet of lumber cut and piled at the Sammy Merrill Springs Mill, which lumber will require to be transported by auto truck or other conveyance to the station of Middle Camp on the line of applicant herein. There is also now piled at Middle Camp a considerable amount of lumber, the amount being estimated to be between 750,000 and 1,000,000 board feet. This protestant objects to applicant's request for the abandonment of the line as a common carrier unless satisfactory arrangements are made whereby the lumber now piled at Middle Camp and at Sammy Merrill Springs Mill can be moved within a reasonable time and at the rates now published and in effect; also until the dismantling of the mill can be arranged for and the equipment which may be salvaged and which is useful elsewhere can be moved out.

Mr. C. L. O'Brien, a protestant, testified that he controlled 840 acres of standing timber located five miles from Middle Camp; that he has already shipped in the saw mill machinery, with the exception of engine and boilers which were stored at Sonora to be taken to the mill site as soon as weather and road conditions would permit. Witness estimates, as a result of cruising, that from 15,000,000 to 18,000,000 board feet of lumber is available for cutting on the timber land which he controls, and that the mill which is to be erected and operated will have a capacity of from 35,000 to 40,000 board feet per day and that, during the first season of operation, it is anticipated that a cut averaging 25,000 board feet per day will be the product of this mill and that such lumber will be hauled by motor truck to Middle Camp and thence shipped over the line of applicant's railway to the station of Ralph which is a junction with the Sierra Railway of California.

Since the hearing on this application, applicants and protestant, Madary's Planing Mill, Incorporated, have each submitted to the Commission conditions under which they were agreeable to the granting of this application and such conditions have been carefully considered in this proceeding.

It is apparent from the evidence in this proceeding that, other than the lumber to be moved from Middle Camp to Ralph and the small amount of repair parts and supplies necessary for the conduct of the lumber business and the shipments which will offer by reason of the dismantling and removal of the saw mill and plant of protestant, Madary's Planing Mill, Incorporated, there is no prospective traffic that will justify the continuance of the Sugar Pine Railway as a common carrier. The line originally was constructed as a plant facility to serve the activities of the Standard Lumber Company and the limited volume of traffic which has been furnished by the public and principally by protestant, Madary's Planing Mill, Incorporated, did not, in our

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opinion, justify the Sugar Pine Railway in assuming the responsibilities of a common carrier; the company, however, having assumed such responsibility, has necessarily been required to continue its operation as such, notwithstanding that by reason of the lease of the line to Standard Lumber Company as hereinabove referred to, its activities as a common carrier have been reduced to the serving of a single shipper.

The Commission has carefully considered all the evidence in this proceeding and is of the opinion and hereby finds as a fact that the operation of the Sugar Pine Railway Company as a common carrier is not required by the public convenience and necessity for the reason that the operation can not be continued without substantial loss; the revenue from traffic at present available and in prospect not being sufficient to defray the operating expenses and the items of maintenance and depreciation to say nothing of returning any interest on the amount invested in physical property. We are of the opinion, however, that arrangements should be made whereby lumber now ready for movement and shipments incidental to the dismantling of the mill of the Madary's Planing Mill, Incorporated, should be cared for and also that other lumber, offered for movement during the period that the Madary's Planing Mill, Incorporated, shipments are being cared for, should be transported when offered by shippers and the order herein will so provide.

ORDER.

Sugar Pine Railway Company, a corporation, having petitioned the Railroad Commission for an order authorizing and permitting the discontinuance of its service as a common carrier, a public hearing having been held, the matter having been duly submitted and the Commission being fully advised;

It is hereby ordered, that applicant herein be and it hereby is authorized to discontinue service as a common carrier; provided, however, that, as a condition of this order, shipments offered by Madary's Planing Mill, Incorporated, at the station of Middle Camp for transportation to Ralph or to points beyond, or offered at Ralph for transportation to Middle Camp shall be accepted and promptly moved under the same rates and in accordance with the same rules and regulations that are now published by the Sugar Pine Railway Company and governing the matter of freight transportation; provided, further, that Madary's Planing Mill, Incorporated, be permitted to load and ship any lumber and freight offered at Middle Camp or the spur track at such station along which machinery and skids for loading have been erected and arrangements are to be made by applicant herein with the Standard Lumber Company to permit shipments offered by or for the account of Madary's Planing Mill, Incorporated, to be made from the spur track hereinabove referred to, which track is alleged to be the property of

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the Standard Lumber Company, the use of such spur track now being denied said Madary's Planing Mill, Incorporated, by reason of an injunction issued out of the Superior Court of the county of Tuolumne, State of California, on behalf of said Standard Lumber Company; and provided, further, that cars required for the shipment of lumber shall be promptly furnished and shall be subject to the standard demurrage rules as prescribed by this Commission; and provided, further, that all shipments offered by Madary's Planing Mill, Incorporated, prior to November 1, 1922, shall be promptly moved in accordance with the foregoing conditions; it being understood, however, that in the event that notice is given by Madary's Planing Mill, Incorporated, to applicant, Sugar Pine Railway Company, prior to November 1, 1922, that there are no further shipments to be offered, the effective date of the obligation of applicant, Sugar Pine Railway Company, to move the freight offered by or on account of Madary's Planing Mill, Incorporated, will be the date contained in such notice.

It is hereby further ordered, that, during the time in which transportation service is rendered to Madary's Planing Mill, Incorporated, in accordance with the foregoing paragraph of this order, that shipments under similar conditions will be accepted and transported whenever offered by or for the account of C. L. O'Brien, or other shippers, if any, such shipments to move under similar conditions as those hereinabove specified as applicable to shipments offered by or for the account of Madary's Planing Mill, Incorporated.

It is hereby further ordered, that, subject to the exceptions hereinabove contained, service as a common carrier on the line of the Sugar Pine Railway Company may be suspended after thirty days' notice will have been given the shipping and receiving public by the posting of notices at all stations on the line of such railway and by publication in a newspaper of general circulation in Tuolumne County and applicant herein will be required to file with the Railroad Commission a certified copy of notices which are posted and of newspaper publication, as required by this order.

The Commission reserves the right to make such other and further orders in this proceeding as in its judgment may appear necessary or as the public convenience and necessity may require.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of May, 1921.

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DECISION NO. 8930.

CROCKETT LAND AND CATTLE COMPANY

vs.

AMERICAN SMELTERS SECURITIES COMPANY.

Case No. 1429.

Decided May 3, 1921.

JURISDICTION—WATER SERVICE—WHEN PUBLIC UTILITIES.—A corporation which has installed a water system solely to provide an adequate supply of water for its own industrial uses and for the domestic uses of its employees is not a public utility, particularly when the evidence shows that there has been no intention by any of its subsequent acts or deeds to dedicate any part of its water supply to public use. Complaint to compel extension of service dismissed.

William C. Crittenden and Jas. J. Webb, by *Joseph Webb*, for Complainant.
Chickering and Gregory, by *Warren Gregory*, for Defendant.

BY THE COMMISSION.

OPINION.

Complaint was made in the above entitled proceeding that the defendant, American Smelters Securities Company, which owns and operates a water supply system supplying water for domestic purposes in the town of Selby and the adjoining village of Tormey, Contra Costa County, refuses to extend its pipe mains some 100 feet to provide water service to a water trough for cattle, located on complainant's 1400-acre tract of grazing land.

The complaint alleges in effect that defendant is a public utility company operating the aforementioned water supply system, although it has never filed its schedule of rates with the Railroad Commission; that defendant has refused to give complainant, Crockett Land and Cattle Company, service of water at aforementioned water trough for the watering of about 200 head of cattle, and that complainant has offered to pay the cost of the necessary pipe main extension. Wherefore, complainant asks that said defendant be compelled to furnish the service of water as requested.

Defendant's answer is a general denial of the allegations in the complaint; it being stated that defendant company owns and operates a smelting works at Selby, Contra Costa County; that in connection therewith it operates the water system in question for the needs of its industrial plant and its employees; that a large proportion of the water it so utilizes is purchased from the Port Costa Water Company, and that it does not and never has operated said water system as a public utility.

Public hearings in this proceeding were held at Tormey and San Francisco before Examiner Westover.

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The water system operated by defendant consists of eighteen shallow wells and one deep well located in a ravine southeast of Tormey. The water is pumped into an 80,000-gallon storage reservoir and thence delivered into the distribution mains. This supply is inadequate and is supplemented by water purchased from the Port Costa Water Company. The records of water use during the period January 2 to July 16, 1920, shows a total consumption of 3,875,000 gallons, of which about 79 per cent was so purchased.

There are at present about 82 domestic services on the system besides the services to the schoolhouse, and to the two hotels and stores which are owned and operated by the company for the accommodation of its employees.

The evidence shows that said unincorporated towns were established and constructed by defendant company on its own land to provide necessary housing accommodations for its employees in its smelter.

Of said domestic services, 75 supply houses rented by employees, but owned by defendant on its own land, with the exception of six houses which defendant permitted employees to erect on lots leased from it.

Besides the above mentioned services located on defendant's own property, water service is supplied seven houses on adjoining lots privately owned. Four of the latter were constructed in 1904 by the National Lead Company for its employees in its plant.

National Lead Company was closely allied with defendant company, and utilized its by-products. It obtained the water for its plant and said company cottages from defendant at a fixed monthly charge. Recently this company moved its plant to Melrose and sold the four houses and lots to an employee of defendant who occupies one of them.

Defendant testified in effect that employees living in company houses are charged fixed rentals per month for these houses, including water service; that practically all the water users are employees, and that meters are read to prevent waste, not for rendering bills.

Further, that defendant had never intended to sell water as a business, and the company as a corporation had taken no action to form a water company separate from its smelter business with the intent to dedicate any of its water to public use.

The evidence shows that defendant had collected rates from the aforementioned seven houses in which it had no interest in the houses or lots until about February, 1920, when it notified these consumers that it would not thereafter charge for water.

Complainant's 1400-acre tract is at present provided with water from springs which in the past have supported as many as 400 head of cattle. During the past abnormally dry seasons these springs have diminished in flow and will now support only about 20 head of cattle. Wherefore

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complainant desires a stand-by service from defendant's water system in order to water a larger number of cattle.

Complainant has made no effort to further develop the springs on said tract of land or to bore wells to provide an additional water supply, notwithstanding the fact, as brought out in the evidence, that there is a probability that water could be thus obtained, since well sources of supply have been developed on several adjoining tracts including those of defendant.

It appears from a consideration of the testimony that said water system was installed by defendant solely to insure and provide an adequate supply for its industrial purposes and the domestic use of its employees resident upon its own land; and that there has been no intention by any of its subsequent acts or deeds to dedicate any part of its water to public use. The fact that it did supply service to the aforementioned National Lead Company and its four employees' cottages, as an accommodation, might be construed technically as a dedication to public use, but from the circumstances this would be limited to the particular area served and not to the said 1400-acre tract of complainant or any part thereof.

It is therefore recommended that the case be dismissed.

ORDER.

Public hearings have been held in the above entitled proceeding, the Commission being fully advised, the matter having been submitted, and basing its order on the statements of fact contained in the preceding opinion;

It is hereby ordered, that the complaint herein be and it is hereby dismissed.

Dated at San Francisco, California, this third day of May, 1921.

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DECISION NO. 8933.

IN THE MATTER OF THE APPLICATION OF BEAR GULCH WATER COMPANY FOR PERMISSION TO PURCHASE THE "PORTOLA WOODS" DISTRIBUTION SYSTEM, LOCATED IN SAN MATEO COUNTY.

Application No. 6709.

Decided May 6, 1921.

Jas. M. Mannon, Jr., for Applicant.
John E. Behan, for Spring Valley Water Company.
Mr. Donegan, for the Family Club and Messrs. Tynan and Talbot.
C. K. McIntosh, in propria persona.
F. A. Zane, in propria persona.
E. H. Rixford, in propria persona.
Halsey L. Rixford, in propria persona.
Samuel H. Pond, in propria persona.

LOVELAND, *Commissioner.*

OPINION.

Bear Gulch Water Company, a corporation, supplying water in and in the vicinity of Menlo Park, San Mateo County, applies in this proceeding for authority to purchase from the Spring Valley Water Company a water system installed by the latter on a tract of land known as "Portola Woods." The Spring Valley Water Company joins with the Bear Gulch Water Company in this application.

The entire property involved in the proposed transfer is set out in Exhibit "B," attached to the petition. The main items included in this transfer consist of about 2706 feet of 8-inch pipe on Manzanita drive, and about 1330 feet of 3-inch lateral pipes, being in two leads from the 8-inch line, together with the necessary easements and rights for maintenance and operation.

A public hearing was held in this matter at San Francisco. Notices of the hearing were mailed to all consumers in the Woodside section (a territory now served by applicant, and obtaining its water from the same source from which Portola Woods would be supplied), that they might appear and be heard.

Applicant has a diversion dam in Bear Gulch creek and conducts the waters of said creek to a 115,000,000 gallon reservoir, from which about 1000 consumers are served in Menlo Park and vicinity. Below the diversion dam is Woodside, where about 65 consumers are served. Previous to 1900 Woodside had been supplied by individual wells, and these failing, the residents of this territory in many instances connected to and received their supply from a system of pipes installed by the county authorities and used by them for a time for road sprinkling. The service thus received was not satisfactory, and the Bear Gulch Water Company has gradually extended its distributing system into the dis-

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trict to such an extent that the residents of Woodside are at this time practically all supplied by that utility. Recently a new diversion has been installed in Bear Gulch Creek at a higher point than the diversion to the main reservoir and a new pipe line constructed to the Woodside section. It is anticipated that this new installation, together with a new reservoir now being built, will add some 20 pounds per square inch to the pressure already available in Woodside.

Much interest in the matter of this application was shown by residents of Woodside, their thought being that inasmuch as Portola Woods is located at a lower elevation than the greater part of Woodside, there might be a tendency for the new district to take its supply in times of shortage from the system in such a way as to deprive them of the good service which they are about to enjoy. At the same time these gentlemen were anxious to make it clear that they have no desire to hinder the development of Portola Woods, but are merely apprehensive concerning their own supply.

Evidence shows that the Bear Gulch Water Company has expended some $32,000 since 1916 in improving its system in Woodside, and stands ready to make further expenditures if necessary to establish and maintain adequate service in that district as well as throughout the remainder of its system. From a study of the water supply now available and the plans of the company for the future, I feel confident that the consumers in Woodside can rest assured that they will in the future receive an adequate service. The additional consumers added to the system by assuming service to the Portola Woods would number some twelve or more. It does not appear from the evidence that there will be any impairment of service as a result of the granting of this application. On the contrary it occurs to me that the general public convenience will be furthered by the granting of this application and the completion of the improvements announced by applicant.

I recommend the following form of order:

ORDER.

Bear Gulch Water Company having made application for permission to purchase from the Spring Valley Water Company a water system located in what is known as Portola Woods, San Mateo County, and said Spring Valley Water Company having joined in the application, and a public hearing having been held and the matter having been submitted:

It is hereby found as a fact that public convenience will be served by the granting of this application.

And basing its order on the above finding of fact and the further statements of fact contained in the opinion preceding this order;

It is hereby ordered, that the above application be and it is hereby granted upon the following conditions and not otherwise:

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1. The property herein authorized to be transferred consists of approximately 2706 feet of 8-inch pipe in Manzanita drive and 1330 feet of 3-inch lateral pipe, together with the necessary easements and rights for maintaining and operating said pipe system, all of which is more particularly described in Exhibit "B" attached to the petition.

2. The authority herein granted will apply only to such transfer as may have been made on or before June 30, 1921.

3. The consideration given for the transfer of said Portola Woods water system shall not be urged before this Commission or any other public body as a finding of the value of said property for rate fixing or any purpose other than the transfer herein authorized.

4. It is expressly understood that authorization for this transfer is conditioned upon continued good service to the consumers in Woodside and to all other consumers served by applicant.

5. Applicant shall file with this Commission within twenty (20) days of the date of this order a certified copy of the instrument of conveyance under which it secures and holds title.

6. Within ten (10) days from the date on which the Spring Valley Water Company relinquishes possession of said Portola Woods water system as herein authorized, it shall file with this Commission a certified statement setting forth the date on which such possession and control was actually relinquished.

The above opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of May, 1921.

DECISION No. 8934.

IN THE MATTER OF THE APPLICATION OF THE PICKWICK STAGES, NORTHERN DIVISION, INCORPORATED, FOR AN ORDER AUTHORIZING THE ISSUE OF THIRTY THOUSAND DOLLARS ($30,000) IN EQUIPMENT TRUST CERTIFICATES AND THIRTY THOUSAND DOLLARS ($30,000) IN COMMON CAPITAL STOCK.

Application No. 6580.
Decided May 6, 1921.

AUTO STAGE LINES—SECURITY ISSUES BY.—In authorizing applicant herein to issue $30,000 of its common capital stock to be sold at not less than par and $30,000 face value of equipment trust certificates to be sold at not less than 96.13, the Commission points out that such application has been decided upon the evidence submitted in this particular proceeding and that it should not be taken as a precedent which will be followed in subsequent proceedings where the evidence is materially different from that in the present case.

N. C. Folsom, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Pickwick Stages, Northern Division, Incorporated, in its amended application filed April 29, asks permission to execute an agreement

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defining the terms and conditions under which may be issued $30,000 of 8 per cent serial equipment trust certificates and to issue and sell at par $30,000 of common stock.

Pickwick Stages, Northern Division, Incorporated, as of June 31, 1921, reports assets and liabilities as follows:

Assets.

Automobile stages	$97,093 59
Franchise rights (cost)	11,268 31
Leaseholds	675 00
Furniture and fixtures	2,351 21
Union stage depot stock	2,966 51
Garage and equipment	1,800 00
Supplies, tires, etc.	11,916 85
Bills and accounts receivable	5,466 62
Cash on hand and ticket collections in transit	3,019 10
Total assets	$136,577 19

Liabilities.

Auto contracts	$28,175 39
Bills payable	19,025 00
Accounts payable	35,029 26
War tax	2,523 98
Reserves set up not yet charged off	3,185 68
Surplus	8,617 88
Capital stock (issued)	40,000 00
Total liabilities	$136,577 19

The income and expenses of the Pickwick Stages, Northern Division, Incorporated, is reported for 1919 and 1920 and is estimated for 1921 by applicant as follows:

Item	1919	1920	1921
Gross income	$181,704 23	$309,935 66	$413,247 54
Expenses	162,352 99	286,915 45	376,055 26
Balance	$19,351 24	$23,020 21	$37,192 28
Reserves	13,323 83	16,109 20	24,000 00
Net profits for interest	$6,027 41	$6,911 01	$13,192 28

Applicant intends to transfer to the Guaranty Trust and Savings Bank, trustee, eleven (11) Pierce-Arrow auto stages, having an estimated value of $63,500, as security for the payment of the $30,000 of equipment trust certificates. It intends to lease these stages from the trustee at an annual rental sufficient to enable the trustee to pay the annual interest charges on the certificates and the principal of the certificates as they mature. The company agrees to pay this annual rental. In addition, it should guarantee the payment of the certificates, such guarantee to appear on the face of the certificates or endorsed thereon. The company agrees to maintain the leased equipment in good operating condition. A copy of the trust agreement has been filed

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with the amended application and is marked Exhibit "F." The form of the equipment trust certificates is not entirely satisfactory, and therefore, the order will provide that no equipment trust certificates shall be delivered until an agreement and certificates satisfactory in form to this Commission has been submitted, nor until their execution has been authorized by the Commission. Applicant reports that it intends to offer the certificates for sale at an average price of 96.13 per cent of their face value and accrued interest. Certificates in the amount of $6,000 mature annually during the next five years. Applicant asks permission to issue and sell at not less than par $30,000 of its common stock. The proceeds realized from the sale of the certificates and the stock, which proceeds are estimated at $58,840, will be used by applicant, if permitted by the Commission, for the following purposes:

To pay automobile contracts	$23,000 00
To pay outstanding bills	9,500 00
To pay accounts payable	15,000 00
To pay cost of reconstructing company owned chassis into larger capacity stages	11,340 00
Total	$58,840 00

The evidence in this proceeding and other proceedings affecting Pickwick Stages, Northern Division, Incorporated, shows that all of its stock has been sold at par and that the stockholders are willing to acquire additional stock at par and that they have substantial investments in the property and business. The evidence further shows that applicant's earnings under existing rates are adequate to pay the interest on the equipment trust certificates which are to be issued, and that the payment of these certificates is assumed or guaranteed by applicant and in effect by its stockholders, who do not ask the purchasers of the certificates to waive the right to recover from the stockholders in case the certificates are not paid by the corporation.

The authority herein granted cannot and should not be construed as a precedent. Necessarily, this application is decided on the evidence submitted and, therefore, no one is in a position to conclude what action the Commission may or should take in a proceeding where the evidence is materially different from that in this proceeding.

I herewith submit the following form of order:

ORDER.

Pickwick Stages, Northern Division, Incorporated, having asked permission to issue $30,000 of common stock, to execute an equipment trust agreement and to issue, assume or guarantee the payment of $30,000 of 8 per cent equipment trust certificates, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably

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required for the purpose or purposes defined in this order, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Pickwick Stages, Northern Division, Incorporated, be and it is hereby authorized to issue at not less than par $30,000 of its common capital stock.

It is hereby further ordered, that Pickwick Stages, Northern Division, Incorporated, be and it is hereby authorized to issue, assume or guarantee the payment of $30,000 face value of 8 per cent serial equipment trust certificates payable in equal annual installments of $6,000 each and to sell said certificates at not less than the average price of 96.13 per cent of their face value and accrued interest, provided that none of the certificates be delivered until the Commission, by supplemental order, has authorized the execution of an agreement securing the payment of the certificates.

The authority herein granted is subject to further conditions as follows:

1. The proceeds realized from the sale of the stock and certificates herein authorized to be issued shall be used by applicant for the following purposes and none other, except as authorized by the Commission:

To pay automobile contracts	$23,000 00
To pay outstanding bills	9,500 00
To pay accounts payable	15,000 00
To pay cost of reconstructing company owned chassis into larger capacity stages	11,340 00
Total	$58,840 00

2. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

3. Pickwick Stages, Northern Division, Incorporated, shall keep such record of the issue and sale of the stock and certificates herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock and equipment trust certificates as may be issued, sold and delivered on or before October 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of May, 1921.

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DECISION NO. 8935.

IN THE MATTER OF THE APPLICATION O FTHE UKIAH WATER AND IMPROVEMENT COMPANY, A CORPORATION, FOR AUTHORITY TO REFUND INDEBTEDNESS.

Application No. 6776.

Decided May 6, 1921.

Sullivan and Sullivan and Theo. J. Roche, by *George D. Squires*, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Ukiah Water and Improvement Company asks permission to issue notes in the aggregate face value of $40,000 payable in two years or less and bearing interest at not exceeding 8 per cent per annum to pay or refund the following notes:

Date of issue	Date due	Holder of note	Int. per cent	Amount
Jan. 1, 1918	Jan. 1, 1919	First National Bank of Ukiah	6	$5,000 00
April 1, 1916	April 1, 1917	Avery Brush	6	5,000 00
Oct. 15, 1917	Oct. 15, 1918	First National Bank of Geyersville	6	2,000 00
Nov. 1, 1917	Jan. 1, 1919	Exchange Bank of Santa Rosa	6	4,000 00
Nov. 1, 1917	Jan. 1, 1919	Exchange Bank of Santa Rosa	6	5,000 00
Nov. 1, 1917	Nov. 1, 1918	First National Bank of San Francisco	6	8,000 00
Jan. 1, 1918	July 1, 1918	Savings Bank of Santa Rosa	6	10,000 00
July 1, 1918	July 1, 1919	First National Bank of Cloverdale	6	1,000 00
Total				$40,000 00

The record shows that the indebtedness represented by the notes it is proposed to refund was originally incurred in the construction of additions and betterments to applicant's property.

Edward J. Barry, applicant's president, was unable to advise the Commission whether the holders of the notes are willing to accept new notes of applicant in payment for the notes they now own. Applicant has agreed to file with the Commission a statement showing the source from which it may secure any moneys and the amount it may need to pay notes which the owners refuse to renew. The order herein contains a condition requiring the filing of such a statement.

Applicant reported its assets and liabilities on December 31, 1920, as follows:

Assets.

Fixed capital	$98,617 38
Cash	892 80
Accounts receivable	368 38
Total assets	$99,878 56

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Liabilities.

Capital stock	$50,000 00
Notes payable	40,000 00
Reserve for accrued depreciation	3,500 00
Income invested in fixed capital	3,806 38
Corporate surplus unappropriated	2,572 18
Total liabilities	$99,878 56

I herewith submit the following form of order:

ORDER.

Ukiah Water and Improvement Company, having applied to the Railroad Commission for permission to issue notes, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified herein and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expense or to income;

It is hereby ordered, that Ukiah Water and Improvement Company be and it is hereby authorized to issue $40,000 face value of its promissory notes bearing interest at not exceeding 8 per cent per annum and payable not more than two years after date of issue, for the purpose of paying or renewing the outstanding notes referred to in this decision.

The authority herein granted is upon the following conditions:

1. Applicant shall file with the Railroad Commission a statement showing what portion, if any, of the notes referred to in this application, it is required to pay in cash, and the source from which the cash necessary to pay the notes has been secured.

2. Applicant may, if it so desires, issue the notes for a term of less than two years and renew said notes from time to time, provided that the combined terms of the notes herein authorized and the notes issued in renewal thereof, shall not exceed two years from the date of issue of the original notes.

3. Ukiah Water and Improvement Company shall keep such record of the issue of the notes herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act and will apply only to such notes as may be issued on or before December 30, 1921.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of May, 1921.

DECISION NO. 8936.

CITY OF LA VERNE, A MUNICIPAL CORPORATION,

vs.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, A CORPORATION.

Case No. 1521.

Decided May 6, 1921.

Joseph A. Allard, Jr., for Complainant.
M. W. Reed, for Defendant.

BRUNDIGE, *Commissioner.*

OPINION.

In this complaint the city of La Verne alleges a dangerous condition at the crossing of D street and The Atchison, Topeka and Santa Fe Railway Company in La Verne; that the trains of defendant cross this crossing at a high rate of speed; that public convenience and interest require the installation and operation of crossing gates or the elimination of this crossing as a grade crossing, and asks that the defendant be ordered to either install crossing gates and operate and maintain them 24 hours a day or separate the grade of D street and its tracks.

A public hearing was held at La Verne on March 23, 1921.

The Santa Fe maintains three tracks across D street, one main line track and two side tracks, one distant 15 feet and the other 16.3 feet from the main line track, these side tracks being located on opposite sides of the main line. D street is well paved and 80 feet wide between property lines.

The crossing is at present protected by a standard crossing sign on the north side of the crossing and an automatic flagman on the south side of the crossing. There are also standard warning signs located some distance from the tracks.

Witnesses for the city of La Verne stated that the view from the north was very much obstructed, particularly to the east where a large packing house obscures the view until a traveler going south is within 20 feet of the main line. To the west there is also a packing house, but located approximately 125 feet west of the west line of D street. It was also stated that the view to the west was obstructed by cars standing

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on the north side track so that the conditions were just as bad as stated above for the view along the tracks to the east.

A traffic count introduced by the superintendent of streets of the city of La Verne showed that on March 17, from 7 a.m. to 7 p.m., 249 automobiles, 30 horse-drawn vehicles, 310 bicycles, 13 motorcycles and 553 pedestrians crossed the tracks, and there were 14 train movements across D street. He also testified that he had tested the speed of one train on March 22 and arrived at the speed of 43 miles per hour.

The signal engineer of the Santa Fe stated that the present automatic flagman had been in place about five years and there were only four records of failure during that time. He also stated that in his opinion wigwags were just as effective as gates, supporting his contention by saying that gates were subject to more variety of failures than automatic flagmen, such failures being due to human errors, which did not occur with automatic flagmen, to breakage caused by vehicles running into gates, and to a lesser degree, mechanical failures. He estimated the cost of crossing gates at approximately $2,200 and that the cost of operation, for 24 hours' service per day, would be $3468.24 a year.

Assistant Engineer H. G. Weeks of the Commission's engineering department stated that he had tested the speed of the two trains—both eastbound—and found one running 29 miles per hour and the other 32 at D street. He also stated that since the view of the crossing from the south was very much better than that from the north, in his judgment the wigwag would better serve travelers on the highway if located on the north side of the crossing so as to be at their right hand in approaching the crossing from the north.

Eastbound trains are on an ascending grade and the locomotives make a great deal of noise, in addition to the usual crossing whistle. The vehicular traffic across the crossing is very light and the view from the south is good.

While this crossing is undoubtedly dangerous for travelers along the highway from the north in that they must usually get within 20 feet of the main line before the train can be seen and trains operate at a relatively high rate of speed, I do not believe that the conditions justify either the installation of gates or the separation of grades at this crossing.

I am, however, convinced that the automatic flagman should be moved to the north side of the tracks as in this position it would be on the right hand side of vehicles approaching the tracks from the more dangerous direction and would conform to the modern practice in plac-

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ing highway signs of various kinds on the right hand side of the highway.

I recommend the following form of order:

ORDER.

The city of La Verne having filed with the Commission a complaint alleging the dangerous condition of the grade crossing at D street and the tracks of The Atchison, Topeka and Santa Fe Railway Company in the city of La Verne and asked that the Commission order either the installation of crossing gates and their operation for 24 hours a day or a separation of street and railway grades, a public hearing having been held and it appearing to the Commission that while not all the additional protection asked by the complainant is necessary and desirable, some improvement can be effected;

It is hereby ordered, that The Atchison, Topeka and Santa Fe Railway Company move and the same be and is hereby ordered to be moved within forty (40) days of the date of this order its automatic flagman now protecting the crossing of its tracks in D street in the city of La Verne from the south side of the tracks to the north side of the tracks, the automatic flagman to remain, however, on the west side of D street.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of May, 1921.

DECISION No. 8937.

IN THE MATTER OF THE APPLICATION OF COAST VALLEYS GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER INCREASING ITS GAS RATES.

Application No. 6614.
Decided May 6, 1921.

GAS RATES—SERVICE—RATE OF RETURN.—It is held that a public utility such as applicant cannot continue to render adequate service if the return upon its investment is no greater than 2.45 per cent. A utility which has expended a relatively large sum of money in improving its service conditions and in placing itself in a position to render adequate service must be reasonably compensated therefor. The applicant herein is faced with a cost of operation which it cannot overcome and if its consumers desire continuance of service they must expect to compensate it reasonably for such service when the same is satisfactory. Revised schedule of rates established to become effective for meter readings made on and after May 20, 1921.

James F. Pollard and *L. B. Jones*, for Applicant.
G. A. Daugherty, Mayor, and *J. N. Anderson*, City Attorney, for City of Salinas.
H. G. Jorgensen, City Attorney, for City of Pacific Grove.

BRUNDIGE, *Commissioner.*

OPINION.

Coast Valleys Gas and Electric Company, herein referred to as applicant or company, requests authority to increase its rates and

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charges for gas service rendered in the cities of Salinas, Monterey and Pacific Grove and contiguous territory. In support of this request applicant alleges in effect that under present rates it is not earning a reasonable return upon its operative investment; that since the rates now in effect were authorized by the Commission the cost of oil used in the manufacture of gas has materially increased; that it has invested a large sum of money in its gas system for the improvement of service, and that the present rates have failed to yield the revenue during the past year heretofore estimated.

Coast Valleys Gas and Electric Company is engaged in several public utility enterprises in Salinas Valley in addition to the service of gas heretofore referred to. However, these other services are not before the Commission for consideration at this time.

A hearing in this proceeding was held at Monterey on April 11, 1921, at which time evidence was taken relative to the operations of applicant, the matter was submitted and is now ready for decision.

The present rates charged by applicant for gas service were established by this Commission in its Decision No. 7161 (Opinions and Orders of the Railroad Commission of the State of California, Volume 17, page 828). The gas service of applicant in Salinas is separate and distinct from that in Monterey and Pacific Grove, the latter two communities being served from a gas generating plant located in Monterey. The rates heretofore fixed by this Commission were based upon an analysis of the different conditions in the two separate districts and in this proceeding the differential between the two districts will be taken as a basis in determining the rates to be fixed. The price of oil in effect at the time the present rates were fixed was for Salinas $1.90 per barrel and for Monterey $1.60 per barrel. The prices for oil now in effect and estimated to continue for the coming year are: Salinas $2.35 per barrel; Monterey $2 per barrel. The difference in the price of oil in the two communities is primarily caused by freight charges.

On the basis of the use of 13 gallons of oil per 1000 cubic feet of gas sold in the two communities, which allowance is reasonable for these two plants considering the recent improvements to their production equipment and distribution system, it would appear that due to the increase in price of oil alone the cost of delivering gas has increased 14 cents per thousand since the last decision of the Commission. This is also equivalent to an increase in total cost, based upon 1920 operations, in excess of $9,000 per annum.

The Commission in its previous decision found that the reasonable investment in applicant's properties as of September 30, 1919 was $211,426.16. Since that date applicant has expended considerable sums of money, mainly in connection with its Monterey and Pacific Grove

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plant, in installing a holder, additional gas plant equipment and increased distribution facilities in order to supply its consumers with adequate and satisfactory service. Improvements have also been made in the Salinas system. The capital heretofore found reasonable plus additions and betterments for the combined systems is as follows:

Coast Valleys Gas and Electric Company—Gas Properties.

Fixed capital, September 30, 1919	$211,426 16
Actual additions and betterments, September 30, 1919, to December 31, 1919	2,913 63
Actual additions and betterments, December 31, 1919, to December 31, 1920	50,659 71
Estimated additions and betterments, December 31, 1920, to June 30, 1921	9,600 00
Total	$274,599 50

If to the above amount be added a reasonable allowance for working cash capital and material and supplies, which are a part of the rate base on which applicant is entitled to a return, the rate base for the year 1921 will be $295,000.

At the time of the previous proceeding considerable complaint was had regarding the quality of service rendered and it was pointed out by the Commission in the decision in that proceeding that applicant must improve its service conditions if it expects to receive a reasonable return upon its properties. Applicant has materially improved its gas service conditions in both districts and at the hearing in this proceeding it was generally agreed by representatives of the public and reported by the Commission's gas service inspector that a good quality of service was being rendered. A considerable part of the additions and betterments during the year 1920 were primarily for the betterment of service, and, although with better service a greater sale of gas should necessarily result, it is apparent that this additional investment will result in additional cost per thousand cubic feet of gas sold. However, the result of this part of the increase in rate to the consumer should be practically offset by the increase in the efficient use by him of the gas resulting from the better service rendered. In addition to this there have been economies obtained by applicant by the improvements made in its system which will reduce the effect of this increased cost upon the total cost of service to consumers.

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The following table sets forth the number of consumers, sales, oil requirements and revenues for 1920 and estimate for 1921 as shown by the evidence:

Coast Valleys Gas and Electric Company—Gas Statistics.

	Actual, 1920	Estimated, 1921
Average number of consumers:		
Salinas	840	889
Monterey and Pacific Grove	1,876	2,020
Totals	2,716	2,909
Sales:		
Salinas	19,463,000	22,000,000
Monterey and Pacific Grove	46,235,000	53,000,000
Totals	65,698,000	75,000,000
	Barrels	Barrels
Oil requirements:		
Salinas	6,740	6,800
Monterey and Pacific Grove	14,372	16,420
Totals	21,112	23,220
Gas sales:		
Revenue—present rates:		
Salinas	$75,638 13	$40,300 00
Monterey and Pacific Grove	75,355 10	87,200 00
Totals	$110,993 23	$127,500 00
Miscellaneous operating revenue	1,882 16	2,000 00
Totals	$112,875 39	$129,500 00

The estimated operating expenses for the same period found reasonable from the evidence are as follows:

Coast Valleys Gas and Electric Company, Salinas, Monterey and Pacific Grove Gas Operating Expenses—Year 1921.

Production expense:	
Oil	$48,840 00
Other expense	30,000 00
Distribution expense	9,330 00
Commercial expense	7,655 00
General expense	8,985 00
Uncollectible bills	50 00
Taxes	9,562 00
Total operating expense	$114,422 00
Depreciation	8,010 00
Total	$122,432 00

From the above it appears that under present rates applicant's net earnings after setting aside depreciation will be approximately $7,240, or only 2.45 per cent upon the investment of $295,000. It is apparent that a public utility such as this can not continue to give adequate service if the return upon its investment is no greater than herein estimated. Applicant has expended a relatively large sum of money in improving its service conditions and in placing itself in a position to

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render adequate service and it must be reasonably compensated for the services rendered.

If applicant is allowed rates based upon a return of 8 per cent upon its reasonable investment it will be necessary to increase the gross revenue of applicant, based upon a year's operations, by $18,100.

Applicant has materially improved the quality of service rendered and is maintaining a standard which practically complies with the requirements set forth in the Commission's general order. Certain minor infractions of the order still exist but applicant is working to remove these infractions as fast as possible, although complete compliance with the requirements will require some period of time. Analysis of the operating expenses of applicant by the Commission's engineering department shows that the expenses heretofore set forth are reasonable expenses in this instance. Applicant is faced with a cost of operation which it cannot overcome and if its consumers desire continuance of service it must be expected that they will compensate it reasonably for such service when the same i ssatisfactory.

The rates set forth herein are fixed such that they should return to applicant, provided it maintains the efficiency herein estimated, a return of approximately 8 per cent upon its reasonable investment.

I recommend the following form of order:

ORDER.

Coast Valleys Gas and Electric Company having applied for authority to increase its rates and charges for gas in Salinas, Monterey, Pacific Grove and contiguous territory, a public hearing having been held, the matter being submitted and now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged for gas by Coast Valleys Gas and Electric Company are not just and reasonable rates in so far as they do not adequately compensate it for the service rendered and in so far as they differ from the rates and charges herein established.

Basing its order on the foregoing finding of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Coast Valleys Gas and Electric Company be and it is hereby authorized to charge and collect for gas sold in the localities set forth in the respective schedules the following rates and charges for gas service, based upon all regular meter readings taken on and after May 20, 1921:

SCHEDULE "A".

Domestic and Commercial Gas Service.

Character of service.

Gas of an average heating value of 570 British thermal units per cubic foot will be supplied under this schedule for lighting, heating and power service.

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Territory.

This rate applies to the incorporated cities of Monterey and Pacific Grove and adjacent territory thereto.

Rate.

First 500 cubic feet or less per meter per month	$1 15 per 1000 cubic feet
Next 2,000 cubic feet per meter per month	2 00 per 1000 cubic feet
Next 2,500 cubic feet per meter per month	1 75 per 1000 cubic feet
Next 5,000 cubic feet per meter per month	1 60 per 1000 cubic feet
Next 5,000 cubic feet per meter per month	1 40 per 1000 cubic feet
All over 15,000 cubic feet per meter per month	1 25 per 1000 cubic feet

SCHEDULE "B".

Domestic and Commercial Gas Service.

Character of service.

Gas of an average heating value of 570 British thermal units per cubic foot will be supplied under this schedule for lighting, heating and power service.

Territory.

This rate applies to the incorporated city of Salinas and adjacent territory thereto.

Rate.

First 500 cubic feet or less per meter per month	$1 15 per 1000 cubic feet
Next 2,000 cubic feet per meter per month	2 15 per 1000 cubic feet
Next 2,500 cubic feet per meter per month	1 95 per 1000 cubic feet
Next 5,000 cubic feet per meter per month	1 75 per 1000 cubic feet
Next 5,000 cubic feet per meter per month	1 50 per 1000 cubic feet
All over 15,000 cubic feet per meter per month	1 40 per 1000 cubic feet

It is hereby further ordered, that Coast Valleys Gas and Electric Company shall, within ten days of the date of this order, file with the Commission the schedules herein set forth.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of May, 1921.

DECISION NO. 8938.

IN THE MATTER OF THE APPLICATION OF EAST BAY WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF CLASS "A" SIX (6) PER CENT CUMULATIVE PREFERRED STOCK.

Application No. 6716.

Decided May 6, 1921.

McKee, Tasheira and Wahrhaftig, by *A. C. Tasheira*, for Applicant.

MARTIN, *Commissioner*.

OPINION.

East Bay Water Company asks permission to issue and sell $201,525.55 of its Class "A" preferred stock to reimburse its treasury on account of earnings expended for extensions, additions and betterments.

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The company reports that from November 1, 1919 to January 1, 1921, it has expended for general construction work the sum of $908,954.48. From this amount, applicant deducts $92,500 because of the investment of part of the reserve for accrued depreciation, $118,318.50 received from land sales, $225,610.43 on account of capital abandoned, and $271,000 for construction expenditures for which stock was authorized to be issued by Decision No. 7062 dated January 27, 1920, leaving a balance of $201,525.55 of expenditures which has not been paid or provided for by the issue of stock or bonds.

The Railroad Commission has authorized applicant by Decision No. 6108, dated February 13, 1919, Application No. 3655 (Volume 16, Opinions and Orders of the Railroad Commission of California, page 468) to issue and sell on or before October 1, 1919, $437,331.90 of preferred stock, and by Decision No. 7062, dated January 27, 1920, Application No. 5212 (Volume 17, Opinions and Orders of the Railroad Commission of California, page 719) to issue and sell, on or before May 20, 1921, $406,221 of preferred stock, both issues to provide money to pay for extensions, additions and betterments. Applicant reports that there is an unsold balance of $17,331.90 of stock under Decision No. 6108, and of $247,821 under Decision No. 7062, and asks that the time within which it might issue and sell stock under these two orders be extended so as to permit it to issue and sell the remaining unsold stock of $259,152.90 at 78 per cent of par value, and use the proceeds to reimburse the treasury. This part of the application will be taken care of by supplemental orders in Application No. 3655 and Application No. 5212.

Applicant asks permission to sell the stock at $78 per share. Mr. George H. Wilhelm, applicant's vice-president and general manager, is of the opinion that the stock can be sold at that price. He was, however, not able at the hearing had on this application to inform the Commission how much expense applicant will have to incur to sell the stock. Only a reasonable amount of the proceeds from the sale of the stock may be used to cover the cost of selling the stock. The Commission will by supplemental order specify what amount of the proceeds may be used to pay the cost of selling the stock.

I herewith submit the following form of order:

ORDER.

East Bay Water Company having applied to the Railroad Commission for permission to issue and sell stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the stock herein authorized to be issued is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not, in whole

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or in part, reasonably chargeable to operating expenses or to income;

It is hereby ordered, that East Bay Water Company be and it is hereby authorized to issue and sell at not less than $78 per share, on or before December 31, 1921, $201,525.55 of its Class "A" preferred stock and to use the proceeds to reimburse its treasury for earnings expended for extensions, additions and betterments described in this application. If hereafter authorized by the Commission, such an amount of the proceeds from the sale of the stock as the Commission may find reasonable may be used to pay the cost of selling the stock herein authorized to be issued, as well as the unsold stock in Application No. 3655 and Application No. 5212;

Provided, that East Bay Water Company keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, or or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of May, 1921.

DECISION No. 8939.

IN THE MATTER OF THE APPLICATION OF THE FALL RIVER TELEPHONE COMPANY, AN UNINCORPORATED ASSOCIATION, FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE A TELEPHONE SYSTEM IN FALL RIVER VALLEY, SHASTA COUNTY, CALIFORNIA.

Application No. 5687.

Decided May 6, 1921.

J. W. Carter, for the Applicant.

BY THE COMMISSION.

OPINION.

Fall River Telephone Company, applicant in this proceeding, is an unincorporated association which was organized during the year 1917 for the purpose of acquiring and operating certain telephone lines theretofore constructed and operated as public utilities without proper authority by what were known as North Pit River Telephone Company, South Pit River Telephone Company and Glenburn Telephone Company. The lines referred to are serving the following communities and territory adjacent thereto in Shasta County: Fall River Mills, Glenburn, Dana, McArthur, Pittville, Little Valley.

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It having come to the notice of the Railroad Commission that the three companies above named were operating as public utilities without proper authority and their attention having been directed to the necessity of applying for such authority, the Fall River Telephone Company was organized by the individuals comprising these three companies and this proceeding was instituted to comply with the requirements of section 50 (*a*) of the Public Utilities Act, which provides in part that no telephone corporation as that term is defined by the act shall henceforth begin the construction of its lines without first having obtained from the Commission a certificate that the present or future public convenience and necessity require or will require such construction.

A public hearing was held in the city of Redding on September 24, 1920, before Examiner Satterwhite.

It was brought out at this hearing and in subsequent correspondence that, except as to Little Valley, all of the points now reached by applicant's lines were, prior to their construction, served by the lines of another utility, formerly known as the H. E. Williams Telephone Company, legally operating in this territory, and now owned and operated by E. R. Feuz.

As far as the service heretofore provided in this territory by the H. E. Williams lines, now operated by E. R. Feuz, is concerned, Mr. Feuz has expressed himself in recent correspondence as being willing to permit the Fall River Telephone Company to serve the territory, but asks that he be permitted to dispose of such lines now operated by him as will be affected by the entrance of the Fall River Telephone Company into the territory and to withdraw the service for which he is now responsible.

In view of these facts, joint application, on the part of E. R. Feuz, for permission to abandon his service and, on the part of the Fall River Telephone Company, to enter the territory with its service, should be filed with the Railroad Commission, and pending a hearing upon such joint application and a decision by the Commission thereon, a certificate of public convenience and necessity should not be granted in the present proceeding.

The following order is recommended:

ORDER.

Application having been filed with the Railroad Commission by Fall River Telephone Company, an unincorporated association, for a certificate of public convenience and necessity, authorizing it to construct and operate certain telephone lines in Shasta County, California, as set forth in the opinion preceding this order, a public hearing having been held and it appearing that the territory within which Fall River Tele-

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phone Company asks for said certificate of public convenience and necessity, is now served by the H. E. Williams telephone lines, now owned and operated by E. R. Feuz;

It is hereby ordered, that the application herein be and it is hereby denied.

Dated at San Francisco, California, this sixth day of May, 1921.

DECISION No. 8940.

IN THE MATTER OF THE APPLICATION OF H. N. SIEGFRIED AS RECEIVER OF IMPERIAL UTILITIES CORPORATION FOR AUTHORITY TO INCREASE RATES.

Application No. 6033.

Decided May 6, 1921.

L. M. Chapman and *Ward Chapman*, for Applicant.
Thos. Berkabile, for City of Monterey Park.

BY THE COMMISSION.

OPINION.

Imperial Utilities Corporation, a public utility water concern, of which H. N. Siegfried is receiver and manager, produces and distributes water for domestic purposes in and in the vicinity of Monterey Park, Los Angeles County.

H. N. Siegfried, as receiver, filed an application for an order authorizing a surcharge to become effective August 1, 1920, to continue in effect pending a hearing upon the application and a proper order of this Commission, alleging that because of the increased costs of labor and materials the rates then in effect were noncompensatory and insufficient to produce a return that would enable applicant to meet the increased costs.

It appearing to the Commission that an emergency existed which justified the increased expenditures, the Commission issued its Decision No. 7985, granting a temporary emergency surcharge of twenty-five per cent to apply on the total of all bills rendered subsequent to August 24, 1920, on condition that applicant keep a correct record of income during the period in which the surcharge is in effect, and that any surplus revenue produced by the surcharge over and above what would be yielded by rates as finally established by the Commission should be held subject to return to the consumers.

A public hearing was held in this matter at Los Angeles before Examiner Westover, of which hearing all of applicant's consumers were duly notified and given an opportunity to appear and be heard.

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The system was purchased by the Imperial Utilities Corporation from the Interurban Water Company by authority of this Commission granted in Decision No. 5874, dated October 28, 1918. (Volume 16, page 181, Opinions and Orders of the Railroad Commission of the State of California.) Upon default in the payment of interest upon certain bonded indebtedness the Imperial Utilities Corporation was placed in the hands of a receiver on December 2, 1919, and is still in the hands of a receiver.

Water is obtained from two wells provided with standard electrically driven pumps. Booster pumps then force the water through the mains to its point of use and the surplus into two large storage reservoirs. The water is distributed through 27 miles of mains, varying from 2-inch to 14-inch in diameter, to approximately 1300 consumers.

F. H. Van Hoesen, one of the Commission's assistant hydraulic engineers, submitted a report and appraisal of applicant's properties, showing the estimated cost of the system to be $155,034; a replacement annuity, computed by the sinking fund method, of $3,117, and an estimated reasonable maintenance and operating cost of $17,740 per annum.

F. G. Dessery submitted an appraisal of the property for applicant, showing the reproduction cost as of August, 1920, as $193,056. In his testimony Mr. Dessery estimated the original cost to be between $165,000 and $145,000. The Commission's engineer's estimate of original cost was accepted by applicant as being reasonable.

Mr. H. N. Siegfried, receiver, submitted for applicant an estimate of the operating cost for 1921 of $21,092. The difference in the estimates of operating expenditures submitted by Mr. Siegfried and the Commission's engineers is in the estimates of future costs of power and of labor. From a study of the estimates submitted it appears that the estimate of the applicant is not warranted and the sum of $17,740 is considered reasonable.

The annual charges computed from the above estimates are as follows:

Return on $155,034 at 8 per cent	$12,403 00
Replacement annuity	3,117 00
Maintenance and operating expense	17,740 00
	$33,260 00

The records of the company show that the total operating revenue for 1920 was $22,669.59 exclusive of $2,473.02 which was collected from the above referred to surcharge of 25 per cent. The revenues for 1919 amounted to $19,024. These revenues indicate that no surplus would accumulate from the surcharge as authorized by the Commission.

It is apparent that this utility is entitled to an increase in rates, and the schedule of rates established in the following order is designed to produce the above annual charges.

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ORDER.

H. N. Siegfried, as receiver of the Imperial Utilities Corporation, having applied to the Railroad Commission for authority to increase the rates for water served by that utility in and in the vicinity of Monterey Park, Los Angeles County, California, a public hearing having been held and the matter being submitted:

It is hereby found as a fact that the rates and charges of the Imperial Utilities Corporation in so far as they differ from the rates herein established are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates and charges.

And basing its order on the foregoing finding of fact, and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, by the Railroad Commission of the State of California that H. N. Siegfried, as receiver of the Imperial Utilities Corporation, be and he is hereby authorized and directed to file with this Commission within twenty (20) days of the date of this order the following schedule of rates to be charged by the Imperial Utilities Corporation for service to consumers of water on its Monterey Park system, said schedule of rates to apply to all service rendered subsequent to May 31, 1921, superseding all rate schedules theretofore in effect:

Meter Rates.

Monthly minimum charges:

For ⅝-inch meter	$1 25
For ¾-inch meter	1 50
For 1-inch meter	2 00
For 1½-inch meter	2 75
For 2-inch meter	3 50
For 3-inch meter or larger	5 00

Monthly meter charges:

From 0 to 500 cubic feet per 100 cubic feet	$0 25
From 500 to 1000 cubic feet per 100 cubic feet	20
From 1000 to 5000 cubic feet per 100 cubic feet	15
All in excess of 5000 cubic feet per 100 cubic feet	10

Monthly Flat Rates.

Tenement building, lodging house or residence of five rooms or less with toilet and bath	$1 50
Each additional room	25
Each additional toilet or bath	25
Additional for each private garage and one automobile	25
For each additional automobile	25
Additional for private barn with not more than two horses or cows	50
For each additional horse or cow	20
Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., per square yard actually irrigated	002

It is hereby further ordered, that H. N. Siegfried, receiver of the Imperial Utilities Corporation, be and he is hereby directed to file with

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the Railroad Commission, for its approval within thirty (30) days from the date of this order, rules and regulations governing the distribution of water to its consumers on its Monterey Park system, said rules to become effective within five (5) days of the date of their acceptance for filing by this Commission.

Dated at San Francisco, California, this sixth day of May, 191.

DECISION No. 8948.

IN THE MATTER OF THE APPLICATION OF EAST BAY WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF CLASS "A" SIX PER CENT CUMULATIVE PREFERRED STOCK.

Application No. 3655.
Decided May 6, 1921.

McKee, Tasheira and Wahrhaftig, by *A. G. Tasheira*, for Applicant.

MARTIN, *Commissioner*.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 6108, dated February 13, 1919, authorized East Bay Water Company to issue and sell $437,331.90 of its Class "A" 6 per cent cumulative preferred stock on or before October 1, 1919, at not less than 72 per cent of par value; and

Whereas, applicant reports that it has sold $420,000 of stock under authority granted by said Decision No. 6108; and

Whereas, applicant now asks that it be permitted to issue and sell the remaining $17,331.90 of stock on or before December 31, 1921, at not less than 78 per cent of par value, and to use the proceeds to reimburse its treasury, a public hearing having been held and the Railroad Commission being of the opinion that applicant's request should be granted;

It is hereby ordered, that East Bay Water Company be and it is hereby authorized to issue and sell on or before December 31, 1921, at not less than 78 per cent of par value, the stock authorized to be issued by Decision No. 6108, dated February 13, 1919, and use the proceeds for the reimbursement of its treasury.

It is hereby further ordered, that the order in Decision No. 6108, dated February 13, 1919, shall remain in full force and effect, except as modified by this first supplemental order.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of May, 1921.

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DECISION No. 8951.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AUTHORITY TO RENEW CERTAIN NOTES.

Application No. 6762.

Decided May 7, 1921.

A. E. Peat for Applicant.

BRUNDIGE, *Commissioner.*

OPINION.

San Joaquin Light and Power Corporation asks permission to issue notes in the aggregate face value of $170,909 for the purpose of renewing notes which have matured or are about to mature. A list of the notes which applicant intends to renew appears in the order herein.

The testimony of Mr. A. E. Peat, applicant's treasurer and comptroller, shows that the moneys obtained through the issue of the notes were used to acquire properties and to pay for the construction of extensions and improvements of applicant's facilities and service.

Applicant asks permission to issue notes for such terms as it deems advisable and to renew the same from time to time, provided that the aggregate of the terms of such renewals respectively shall not exceed one year from the date of the first renewal.

I herewith submit the following form of order:

ORDER.

San Joaquin Light and Power Corporation having applied to the Railroad Commission for authority to issue $170,909 face value of notes, a public hearing having been held and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to issue, at not less than the face value

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thereof, its promissory notes for a term not exceeding one year for the purpose of paying or renewing the following promissory notes now outstanding:

Payee	Date of note	Date due	Int. rate pct.	Amount
Pacific Pipe and Supply Company	Dec. 8, 1920	Mar. 8, 1921	7	$2,200 00
Kelman Electric and Manufacturing Company	Sept. 11, 1920	Mar. 11, 1921	7	15,770 00
Hercules Power Company	Dec. 27, 1920	Mar. 28, 1921	7	12,000 00
Westinghouse Electric and Manufacturing Company	Dec. 24, 1920	Mar. 24, 1921	7	35,000 00
Electric Railway and Manufacturers Supply Company	Mar. 30, 1921	June 30, 1921	7	8,939 00
Farmers Exchange National Bank, San Bernardino	Aug. 2, 1920	Feb. 2, 1921	7	15,000 00
First National Bank of Bakersfield	Nov. 9, 1920	Feb. 7, 1921	7	25,000 00
First National Bank of Coalinga	Aug. 13, 1920	Feb. 13, 1921	7	5,000 00
National Bank of Bakersfield	April 5, 1921	July 5, 1921	7	2,000 00
California Bank	Jan. 3, 1921	July 2, 1921	7	50,000 00

The authority herein granted to issue notes is subject to the following conditions:

1 The notes herein authorized to be issued shall bear interest at not exceeding 7 per cent per annum.

2 Applicant may, if it so desires, issue notes for a period of less than one (1) year and renew said notes from time to time, provided that the combined terms of the notes herein authorized and those issued in renewal thereof shall not exceed one year.

3 San Joaquin Light and Power Corporation shall keep such record of the issue of the notes herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4 The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventh day of May, 1921.

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DECISION NO. 8956.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING IT TO CREATE A BONDED INDEBTEDNESS IN THE AUTHORIZED SUM OF FIFTY MILLION DOLLARS, TO ENTER INTO A MORTGAGE OR DEED OF TRUST FOR THE PURPOSE OF SECURING THE SAME, TO ISSUE AND SELL BONDS OF SAID INDEBTEDNESS, WHEN CREATED, OF THE PAR VALUE OF TWO MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS, AND TO ISSUE AND SELL PREFERRED STOCK OF THE PAR VALUE OF THREE HUNDRED TWENTY-FIVE THOUSAND DOLLARS; AND, FURTHER,

IN THE MATTER OF THE APPLICATION OF SAN DIEGO GAS AND ELECTRIC COMPANY TO ISSUE STOCK OF THE PAR VALUE OF THREE HUNDRED DOLLARS AND TO EXECUTE THE ABOVE MENTIONED MORTGAGE OR DEED OF TRUST JOINTLY WITH SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY, AND TO EXECUTE A LEASE OF ALL ITS PROPERTY TO SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY.

Application No. 6744.

Decided May 9, 1921.

STOCK SALES—EXPENSE OF.—In authorizing applicant herein to issue its 7 per cent preferred stock to be sold at not less than 95, the Commission expects the company to secure the highest possible price for its stock and to keep selling expenses at a minimum. Such expenses, including commissions and advertising, should not exceed $5 per share.

SECURITIES—REDEMPTION OF—PREMIUMS ON.—In authorizing the issuance of securities, a portion of the proceeds of which will be used for the purpose of redeeming debentures at 101 and accrued interest, the Commission will not allow the unamortized discount and expense or the premium paid to redeem such debentures to be drawn from the proceeds of the securities herein authorized. Such charges must be met by the company from its fair return or surplus.

San Diego Consolidated Gas and Electric Company authorized to issue $2,750,000 of its 6 per cent first and refunding mortgage bonds to be sold at not less than 81 and $325,000 of its 7 per cent preferred stock to be sold at not less than 95, proceeds thereof to be used for the purpose of discharging debentures and for additions and betterments to plant.

Chickering and Gregory; Sweet, Stearns and Forward; Cummins, Rocmer and Flynn, by *Allen Chickering*, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

San Diego Consolidated Gas and Electric Company asks permission to issue and sell $2,750,000 of its first and refunding mortgage 6 per cent gold bonds, and $325,000 of its 7 per cent cumulative preferred stock.

San Diego Gas and Electric Company, a new corporation, asks permission to issue $300 (3 shares) of stock and lease its properties for a nominal consideration to San Diego Consolidated Gas and Electric Company.

Both applicants ask permission to mortgage their properties to secure the payment of the first and refunding mortgage bonds of San Diego Consolidated Gas and Electric Company. The Commission is

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also asked to approve the plan of financing set forth in the application.

San Diego Gas and Electric Company, recently organized, has acquired the power plant in the city of San Diego formerly owned by San Diego Electric Railway Company. The company has but $300 (3 shares) of stock outstanding. This stock has been issued and is held by F. W. Stearns, Stephen Connell and Richard M. Kew. The stock which the company asks permission to issue will be issued in lieu of the three shares heretofore issued. Any stock which the San Diego Gas and Electric Company may issue will be acquired by San Diego Consolidated Gas and Electric Company. The latter company intends to lease from the San Diego Gas and Electric Company at a nominal rental the power plant to which reference has been made. It appears that this power plant was acquired by the San Diego Gas and Electric Company, rather than by the San Diego Consolidated Gas and Electric Company, in order that the first and refunding mortgage which applicants intend to execute, may be a first lien on some properties.

San Diego Consolidated Gas and Electric Company on December 31, 1920 reported $1,470,200 of its 7 per cent preferred and $2,972,100 of its common stock outstanding. The interest bearing funded debt of the company outstanding on December 31, 1920 is reported at $6,094,000 and consists of $4,705,000 of first mortgage 5 per cent bonds due March 1, 1939, $839,000 of 6 per cent debentures due December 1, 1922, and $550,000 of collateral trust 6 per cent gold notes due July 1, 1923. In addition, the company has deposited as collateral to secure the payment of the gold notes, $688,000 of its first mortgage bonds. The other indebtedness of the company is reported at $555,011.79 and consists of $337,169.07 of notes payable, $210,504.61 of accounts payable, and $7,338.11 due the Standard Gas and Electric Company.

Applicant estimates its net expenditures for additions and betterments during 1921 at $1,700,000. This estimated net expenditure is summarized as follows:

Gas production department	$315,000 00
Gas distribution department	285,000 00
Electric production department	466,000 00
Electric transmission and distribution department	520,000 00
General structures and equipment	120,000 00
Total	$1,700,000 00

A more detailed segregation of the estimated construction expenditures is reported in Schedule No. 4 attached to the petition.

The first mortgage of San Diego Consolidated Gas and Electric Company secures the payment of an authorized issue of $6,000,000 of 5 per cent bonds due March 1, 1939. The record in this proceeding shows that $5,130,000 of the bonds have been issued and are outstanding, and that $688,000 of the bonds are deposited as collateral to secure

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the payment of $500,000 of 6 per cent notes due in 1923. There are thus available at this time only $182,000 of first mortgage bonds to finance construction expenditures.

To provide for its future needs, it has become necessary for San Diego Consolidated Gas and Electric Company to create a new bonded indebtedness. It proposes to create such an indebtedness in the sum of $50,000,000 and to secure the payment of the same by a mortgage or deed of trust to be executed jointly by applicants herein. The new mortgage will be a first lien on the property of San Diego Gas and Electric Company, and a second lien on the property of San Diego Consolidated Gas and Electric Company. The latter company will assume all the obligations of the former company.

The mortgage is to provide for the issue of bonds in series, bearing such rates of interest as may from time to time be deemed desirable by the board of directors of San Diego Consolidated Gas and Electric Company. The first series of bonds proposed to be issued will be in the sum of $2,750,000 face value, bear 6 per cent interest and mature March 1, 1939. These bonds are to be redeemable on any interest payment date prior to maturity at 105 per cent of par, and accrued interest, on and prior to March 1, 1926; thereafter at 104 per cent of par, and accrued interest, on and prior to March 1, 1929; thereafter at 103 per cent of par, and accrued interest, on and prior to March 1, 1932; thereafter at 102 per cent of par, and accrued interest, on and prior to March 1, 1935; and thereafter at 101 per cent of par and accrued interest, on and prior to September 1, 1938. The new mortgage is to contain a sinking fund provision and further provide that after the $2,750,000 of bonds have been issued under the mortgage additional bonds may be issued in an amount equal to 75 per cent of the cost of construction, betterments and additions to the plant, system and equipment of applicants when their net earnings are at least equal to one and three-quarters times the annual bond interest charged on all bonds then outstanding and on those sought to be issued. There has not yet been filed by applicants a copy of the proposed mortgage. The Commission cannot make a final order in this proceeding until it has been furnished with a copy of the proposed mortgage, nor can it at this time, on account of the incomplete record, make an order approving the financial plan as outlined in this application. The plan will be approved only to the extent that affirmative authorization is granted in the order following.

San Diego Consolidated Gas and Electric Company asks permission to issue and sell the $2,750,000 of first and refunding 6 per cent bonds at not less than 81 per cent of their face value, and accrued interest.

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It has a verbal agreement with the bankers under the terms of which the bankers are to receive a commission of six points, and the selling price to vary with market conditions, such selling price, however, not to be less than 81, and accrued interest.

Pending the delivery of the bonds, San Diego Consolidated Gas and Electric Company asks permission to issue and sell interim certificates. All moneys received from the sale of the certificates will be deposited with the Harris Trust and Savings Bank, trustee. If the bonds are not delivered on or before a certain date, the purchasers of the certificates will have their payments returned upon the surrender of the certificates.

San Diego Consolidated Gas and Electric Company also asks permission to issue and sell $325,000 of its 7 per cent cumulative preferred stock at not less than $95 per share. H. H. Jones, the company's president, testified that extensive advertising will have to be undertaken to sell the stock and that the company may not be able to realize more than $95 per share net. This Commission expects the company to secure the highest possible price for the stock and keep the selling expenses at a minimum. The expenses including commissions and advertising should not exceed five dollars per share.

San Diego Consolidated Gas and Electric Company has $839,000 of debentures, due December 1, 1922, outstanding. The company intends to redeem the debentures, which are callable at 101, and accrued interest. It appears that the company intends to use $839,000 of the $2,750,000 of bonds to redeem the debentures. It is, of course, understood that both the unamortized discount and expense and the premium paid to redeem the debentures are charges against the company's fair return or surplus. No part of the proceeds from the sale of the bonds or stock may be used to pay or meet those charges.

San Diego Consolidated Gas and Electric Company has submitted a statement in which its uncapitalized expenditures for additions and betterments as of March 31, 1921 are reported at $556,079.51. The following tabulation shows the method used in arriving at the $556,079.51:

Uncapitalized balance, December 31, 1919		$114,212 91
New construction 1920	$682,124 49	
New construction, three months, 1921	223,924 53	906,049 02
		$1,020,261 93
San Diego Gas and Electric Company		1,175,457 58
		$2,195,719 51

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Against which has been issued:		
Under Decision No. 7568—		
5000 shares preferred stock at 96	$480,000 00	
558 shares common stock at par	55,800 00	
Under Decision No. 8445—		
6000 shares preferred stock at par	600,000 00	
40 shares preferred stock at 96	3,840 00	
500 first mortgage bonds at par	500,000 00	
		$1,639,640 00
Balance uncapitalized March 31, 1921		$556,079 51

As said above, applicants estimated their net construction expenditures during 1921 at $1,700,000. Deducting from the $1,700,000 the actual expenditures, $223,924.53, during the first three months of 1921, leaves a balance of $1,476,075.47 which, added to the reported uncapitalized expenditures of $556,079.51, makes a total of $2,032,154.98. Adding the $839,000 of debentures to be redeemed, to the $2,032,154.98, makes a grand total of $2,871,154.98 for the financing of which it is proposed to issue and sell $2,750,000 of 6 per cent bonds at not less than 81 and accrued interest, and $325,000 of 7 per cent preferred stock at not less than $95 per share.

I herewith submit the following form of order:

ORDER.

San Diego Consolidated Gas and Electric Company, and San Diego Gas and Electric Company, having asked permission to execute a mortgage or deed of trust, and the former company having asked permission to issue $2,750,000 of 6 per cent first and refunding bonds due March 1, 1939, or a like amount of interim certificates and $325,000 of 7 per cent cumulative preferred stock, and the latter company having asked permission to lease its properties and issue $300 of common stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicants and that the expenditures herein authorized are not reasonably chargeable to operating expenses or to income;

It is hereby ordered, that San Diego Consolidated Gas and Electric Company be and it is hereby authorized to issue at par $300 of common stock in exchange for $300 of stock now outstanding, and to lease, for a nominal rental, all of its properties referred to in this application, to San Diego Consolidated Gas and Electric Company;

It is hereby further ordered, that San Diego Consolidated Gas and Electric Company be and it is hereby authorized to issue and sell at not less than $95 per share, $325,000 of its 7 per cent cumulative preferred stock;

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It is hereby further ordered, that San Diego Consolidated Gas and Electric Company be and it is hereby authorized to issue and sell at not less than 81 per cent of their face value, and accrued interest, $2,750,000 of 6 per cent first and refunding bonds due March 1, 1939, or a like amount of interim certificates exchangeable for said first and refunding bonds, said interim certificates to be sold for not less than 81 per cent of their face value, and accrued interest, provided that none of the first and refunding bonds be issued and delivered until the Commission by supplemental order, has authorized the execution of a mortgage or deed of trust securing the payment of the bonds, and provided further that, pending the delivery of the bonds, all proceeds obtained from the sale of the interim certificates be deposited with a bank or banks, or a trust company or trust companies, or be invested in United States Government securities, such deposit or investment being made with the understanding that the proceeds will be returned to the purchasers of the certificates in the event that the company is unable to deliver bonds in exchange for the certificates, within the time limit specified in the certificates.

The authority herein granted is subject to further conditions as follows:

1. The proceeds realized from the sale of the stock herein authorized may be used by San Diego Consolidated Gas and Electric Company to pay in part the $839,000 of debentures, or to finance in part the expenditures incurred for additions and betterments up to March 31, 1921, or for such other purposes as the Commission may hereafter authorize.

2. The proceeds realized from the sale of the bonds may be used by applicants only for such purposes as the Commission may hereafter authorize.

3. The authority herein granted will not become effective until San Diego Consolidated Gas and Electric Company has paid the fee prescribed by the Public Utilities Act.

4. Applicants shall keep such record of the issue and sale of the stock, bonds and interim certificates herein authorized, and of the disposition of the proceeds as will enable them to file on or before the twenty-fifth day of each month, a verified report, as required by this Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

5. The authority herein granted will apply only to such stock, bonds and interim certificates, as may be issued, sold and delivered on or before November 15, 1921.

6. Applicants plan of financing and the plan set forth in this application are authorized to the extent indicated in this order, such author-

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ization, however, being limited to the extent that affirmative authorization is herein given.

7. San Diego Gas and Electric Company shall file with the Commission a copy of the lease which it is herein authorized to execute.

The foregoing opinion and order are hereby approved and ordered filed as the opiniin and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of May, 1921.

DECISION No. 8958.

IN THE MATTER OF THE APPLICATION OF LOS GATOS TELEPHONE COMPANY FOR AUTHORITY TO ISSUE STOCK.

Application No. 6642.

Decided May 10, 1921.

F. F. Watkins, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Los Gatos Telephone Company asks permission to issue $15,950 par value (1595 shares) of common stock. Of this stock, applicant intends to issue $9,620 to reimburse its treasury and to sell $6,330 at not less than par and use the proceeds to pay a $3,000 note and the cost of additions and betterments.

Los Gatos Telephone Company has an authorized stock issue of $50,000 divided into 5000 shares of $10 each. Stock in the amount of $24,050 is now outstanding. Applicant has no bonded indebtedness. It reports $3,000 of notes and approximately a like amount of current liabilities. The testimony shows that the $3,000 note was issued for the purpose of securing money to acquire aerial cables and to pay the cost of additions and betterments.

In Decision No. 7419, dated April 9, 1920, it appears that the Commission's engineers estimated the historical cost undepreciated of applicant's properties as of December 1, 1919, at $44,330, and the depreciated reproduction cost at $30,652. Applicant in schedule "D" filed in this proceeding, reports that during 1920 it expended for additions and betterments the sum of $7,380.48.

Applicant as of December 31, 1920, reports a reserve for accrued depreciation of $12,169.99 and accumulated surplus of $16,618.78. Moneys represented by both the reserve and the surplus have been invested in applicant's properties. On account of having invested its surplus in properties, it may properly be permitted to issue the $9,620 of stock for the purpose indicated.

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Applicant reports that it is necessary for it to expend during the current year approximately $4,000 for additions and betterments. The money will be expended for the following purposes:

2450 feet 100 pr. cable at $276.00 per 1000 feet	$676.20
4000 feet 50 pr. cable at $175.20 per 1000 feet	700 80
900 feet 25 pr. cable at $116.60 per 1000 feet	105 00
Total cable	$1,482 00
4000 cable rings	64 00
30 wood cable arms	28 00
Terminals	125 00
Sundries	425 00
Labor	376 00
Additional telephones and lines necessary to connect telephones	1,500 00
Total	$4,000 00

It appears from the testimony of F. F. Watkins, applicant's secretary and manager, that the proposed expenditures of applicant are necessary. It is for the purpose of paying the cost of additions and betterments, to which reference has been made, and paying the $3,000 note, that applicant asks permission to issue and sell $6,330 of stock.

I herewith submit the following form of order:

ORDER.

Los Gatos Telephone Company having applied to the Railroad Commission for permission to issue $15,950 of common stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant and that the expenditures for the purposes herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Los Gatos Telephone Company be and it is hereby authorized to issue $15,950 of its common stock.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized to be issued, $9,620 shall be issued for the purpose of reimbursing applicant's treasury on account of surplus earnings invested in applicant's properties. After the reimbursements of applicant's treasury, the $9,620 of stock may be distributed according to law as a stock dividend.

2. The remaining $6,330 of stock herein authorized to be issued shall be sold by applicant for not less than par and the proceeds used to pay the cost of the additions and betterments referred to in the foregoing opinion and to pay the $3,000 note held by the Bank of Los Gatos and referred to in this application.

3. Los Gatos Telephone Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the

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proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock as may be issued, sold and delivered on or before November 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of May, 1921.

DECISION No. 8959.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA GRANTING IT A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE BY IT OF THE RIGHTS AND PRIVILEGES CONFERRED UPON IT UNDER THE FRANCHISE GRANTED IT BY THE TOWN TRUSTEES OF THE TOWN OF HOLLISTER BY ORDINANCE NUMBER EIGHTY-EIGHT ON FEBRUARY 7, 1921.

Application No. 6770.
Decided May 10, 1921.

James T. Shaw, for Applicant.

BRUNDIGE, *Commissioner.*

OPINION.

The Pacific Telephone and Telegraph Company asks the Railroad Commission to declare that public convenience and necessity require the exercise by applicant of the rights and privileges conferred upon it by ordinance No. 88, passed on February 7, 1921, by the town trustees of the town of Hollister.

A copy of the ordinance has been filed in this proceeding and is marked applicant's Exhibit "B." In general, the ordinance granted to The Pacific Telephone and Telegraph Company, its successors and assigns, for a term of fifteen years, gives applicant the right and privilege to do a general telephone and telegraph business within the town of Hollister and to construct, maintain and operate the necessary telephone and telegraph lines and facilities, all subject to the conditions of the ordinance.

Among other things, the ordinance requires applicant, its successors and assigns to pay annually during the life of the franchise to the town of Hollister, 2 per cent of the gross annual receipts arising from the use, operation and possession of the franchise and privileges, includ-

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ing that portion of the long distance business credited to the exchange of the town of Hollister. The town of Hollister is also to have the use, without charge, of certain specified facilities for police and fire alarm purposes.

Applicant reports that it paid $115 for the franchise and privileges covered by ordinance No. 88 to the town of Hollister, that no other public utility is engaged in the telephone and telegraph business in Hollister, and that at present it has 618 subscribers to its telephone service in Hollister.

I herewith submit the following form of order:

ORDER.

The Pacific Telephone and Telegraph Company, having asked the Railroad Commission to declare that public convenience and necessity require applicant to exercise the rights and privileges granted it by the town of Hollister under ordinance No. 88 passed February 7, 1921, a public hearing having been held, and it appearing to the Railroad Commission that public convenience and necessity require the construction, operation and maintenance of the telephone plant and system referred to in said ordinance and that there are no public utilities of a like character at present operating within the territory involved in this proceeding; now, therefore,

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by The Pacific Telephone and Telegraph Company of the rights and privileges conferred upon it by ordinance No. 88, passed on February 7, 1921, by the town trustees of the town of Hollister, provided that neither applicant, its successors and assigns, will ever claim before the Railroad Commission, or any other public body having jurisdiction, a value for said franchise or privileges covered by said ordinance for rate fixing or any other purpose, in excess of $115, the amount actually paid to the town of Hollister as a consideration for the granting of said franchise and privileges.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of May, 1921.

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DECISION NO. 8960.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR READJUSTMENT OF SWITCHING CHARGES AT SAN FRANCISCO, OAKLAND AND LOS ANGELES.

Application No. 6390.

Decided May 12, 1921.

RAILROAD RATE—SWITCHING SERVICE—REASONABLENESS OF.—A shipper who employs the switching service of a railroad company must pay a reasonable rate for such service, as it is also the duty of this Commission to fix rates so that the costs may be properly distributed.

SWITCHING RATES—ZONE SYSTEM.—The Commission refuses to establish switching rates on a uniform basis between all points within a specified switching limit without regard to the length of the haul or the character of the territory through which the traffic moves. It holds that there must be a limit to the distance a rate of fixed volume will carry, otherwise such switching limits would be automatically extended with the expansion of industrial territory and the growth of cities.

SWITCHING RATES—TERMINALS—COST OF.—Switching service through terminal points is often as expensive if not more so, than an equidistant line haul. Rates for switching service should be graded out. The Commission points out in the present proceeding that it is dealing entirely with the future rates to be assessed for local or intrayard switching. In this application there is no relation or connection with line haul traffic. Applicant authorized to cancel commodity freight rates applying between San Francisco and South San Francisco and Oakland switching limits and establish zone rates in accordance with the schedule of charges included in the present proceeding.

Elmer Westlake, for Southern Pacific Company.
Sanborn & Rochl, for South San Francisco Chamber of Commerce.
Seth Mann, for San Francisco Chamber of Commerce.
William J. Locke, for the city of Alameda.
George Lull and *John J. Dailey*, for the city and county of San Francisco.
M. I. Sullivan, for Industrial Executive Committee of Civic Associations.
Frank V. Cornish, for the city of Berkeley, Berkeley Chamber of Commerce and Berkeley Manufacturers' Association.
M. E. Van Dine, R. T. Boyd, of *Bishop & Bahler*, for the Oakland Chamber of Commerce.
Leon E. Gray, for the city of Oakland.
George D. Rowland, for the Merchants Exchange and Uptown Exchange of the city of Oakland.
D. J. Hall, for the city of Richmond.
F. P. Gregson, for Associated Jobbers of Los Angeles.
Geo. W. Howard, for Grain Exchange of Los Angeles.
Jess E. Stephens and *H. Z. Osborne*, for city of Los Angeles.

LOVELAND, *Commissioner*.

OPINION.

This is an application by the Southern Pacific Company for authority to make certain increases and decreases in the intrayard switching rates and to make changes in the switching limits at San Francisco, Oakland and Los Angeles. The adjustments proposed are offered as a compliance with this Commission's opinion and order in Decision No. 8221, Case No. 1433, *South San Francisco Chamber of Commerce* vs. *Southern Pacific Company*, decided October 11, 1920. In that decision the

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applicant herein was ordered to remove the discriminations found to exist in the local intrayard switching charges assessed within the different zones at the terminals named.

This proceeding is a continuation of Cases Nos. 1149 and 1433. The first was commenced September 19, 1917; hearings were held in January, 1918, a large number of exhibits filed and a great amount of testimony received, but because of federal control the case was dismissed without prejudice October 2, 1919. Case No. 1433 was filed March 27, 1920, a hearing was held August 5, 1920, and, by stipulation, all of the exhibits, testimony and briefs presented in Case No. 1149 were considered in Case No. 1433.

In reaching a conclusion in the instant application consideration has been given to the exhibits, testimony and briefs filed in all three proceedings.

The order in Decision No. 8221, Case No. 1433 required the Southern Pacific Company to extend the San Francisco switching limits to include South San Francisco and to apply to the points located within these extended switching limits the San Francisco line-haul rates. It also ordered the three defendants in that proceeding—Southern Pacific Company, Atchison, Topeka and Santa Fe, and the Western Pacific—to absorb switching charges on competitive traffic. These adjustments were made without protest and South San Francisco now enjoys all of the line-haul rates in effect at San Francisco, including the absorption of connecting line switching charges on traffic to and from competitive points. The Southern Pacific Company filed this application December 2, 1920, seeking authority to put the proposed adjustments into effect as a complete compliance with the order in Case No. 1433.

We are here dealing entirely with the future rates to be assessed for local or intrayard switching and in this application there is no relation or connection with the line-haul traffic.

Protests were filed by the interested parties and the application was, accordingly, set for public hearings. Appearances in intervention were entered on behalf of the cities of San Francisco, Oakland, Alameda, Berkeley, Richmond and Los Angeles.

Hearings were held at San Francisco on January 26 and 27 and at Los Angeles on February 4, 1921; final briefs have been received, and the matter is now ready for an opinion and order.

The present switching limits at San Francisco may be roughly described as follows:

From and including Fourth and King streets to and including Elkton on the Ocean View line; to and including South San Francisco on the Bay Shore Cut-off line; the wharves served by the Southern Pacific Company's rails; also to the transfer tracks of the State Belt Railroad,

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and to certain named industries located on what are known as the joint tracks. Within these limits the tariffs now provide three distinct classes of charges, dependent upon the distances the cars are moved. The present rates are from Crescent to Bay Shore 37½ cents per ton, minimum $8, distance 9.2 miles; Elkton to south of Oakdale avenue and north of Bay Shore 50 cents per ton, minimum $10.50, distance 9.4 miles; Bay Shore and south to and including South San Francisco on the one hand and on the other the district south of Valencia street to and including Elkton, 80 cents per ton, minimum $15 per car, distance 13.3 miles.

It is proposed to establish two zones within the city of San Francisco with a rate of 37½ cents per ton, minimum $8 per car, the first extending from Elkton to Oakdale avenue, the second from Valencia street to Bay Shore, maximum distance being 7.4 miles.

The rates between South San Francisco and points within the original San Francisco switching limits are to be readjusted by the establishment of three zones. There is at present one rate of 80 cents per ton, minimum $15 per car, between South San Francisco and Elkton, a distance of 13.3 miles; this is to be reduced to 75 cents per ton, minimum $13 per car. From South San Francisco to Valencia street, a distance of 10.7 miles, the rate will be reduced to 70 cents with a minimum of $12, and from South San Francisco to Oakdale avenue, a distance of 7.2 miles, the rate will be reduced to 37½ cents, with a minimum of $8. In addition, it is proposed to increase the rate of 37½ cents, minimum $8, now in effect between South San Francisco and the interchange tracks with the State Belt Railroad at San Francisco to 70 cents per ton, minimum $12 per car, for a distance of 9.6 miles, subject to the absorption rule carried in Southern Pacific Terminal Tariff 230-H, C. R. C. 2477.

This application would also result in the cancellation of the special commodity rates now in effect between San Francisco and South San Francisco, which vary from 80 cents to $4.40 per ton, dependent upon the commodity.

At Oakland the rate is 37½ cents per ton, minimum $8 per car, for the intrayard switching within the territory roughly described as beginning at Sixteenth street and Oakland Wharf on the Port Costa line, to and including Elmhurst on the Niles line, and to the center of the draw-bridges on the lines operating to Alameda. The maximum distance in Oakland under the present adjustment is 9.9 miles. It is proposed to limit the 37½ cent rate, with a minimum of $8 per car, to the territory between Oakland Wharf and Fiftieth avenue on the Elmhurst line, a distance of 7.2 miles. For the additional distance between Fiftieth avenue and Elmhurst, a total of 9.9 miles from Oakland Wharf,

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it is proposed to increase the 37½ cent rate to 70 cents, with a minimum of $12, and to establish certain other interyard zones to take care of the short-haul traffic at a rate of 37½ cents per ton.

At Los Angeles there is now but one switching zone, with a rate of 37½ cents per ton, minimum $8 per car, for the maximum haul between Maiers Spur and University of 11.3 miles. It is proposed to limit the 37½ cent per ton rate, minimum $8 per car, to two zones, the first extending from Taylors Spur to Maiers and Clement Junction, the second from transfer tracks with Los Angeles and Salt Lake and the Atchison, Topeka and Santa Fe at River Station to Slauson and University, a distance of 7.3 miles. Outside of this territory, within the original switching limits, a maximum distance of 11.3 miles between Taylors Spur and Maiers on the north and points south of Clement Junction to Slauson and University on the south, the rate proposed is 70 cents with a minimum of $12 per car.

These adjustments are suggested with the intention of placing the three great industrial terminals upon a parity for intrayard switching, based upon practically equidistant hauls for a like charge. At San Francisco the charges will be 37½ cents per ton, minimum $8 per car for a distance of 7.4 miles between Elkton and Oakdale avenue; 70 cents per ton, minimum $12 per car, for a distance of 10.7 miles, between South San Francisco and Valencia street, and 75 cents per ton, minimum $13 per car, between South San Francisco and Elkton, a distance of 13.3 miles.

At Oakland the 37½ cent rate, minimum $8 per car, will apply between Oakland Wharf and Fiftieth avenue, a distance of 7.2 miles, while the rate of 70 cents per ton, minimum $12 per car, will apply between Oakland Wharf and Elmhurst, a maximum distance of 9.9 miles.

At Los Angeles the 37½ cent rate, minimum $8 per car, will apply between Maiers Spur and Clement Junction, a distance of 7.3 miles, while a rate of 70 cents per ton, minimum $12 per car, will apply at other points within these switching limits for a maximum distance of 11.3 miles. It will thus be seen that the proposed switching rates for equal mileage hauls are practically the same—37½ cents at San Francisco for 7.4 miles, at Oakland for 7.2 miles and at Los Angeles for 7.3 miles. The 70 cent rate applies at San Francisco for 10.7 miles, Oakland for 9.9 miles and at Los Angeles for 11.3 miles. The 75 cent rate is proposed only at San Francisco, covering a distance of 13.3 miles.

Since this proceeding was commenced carriers have filed with the Interstate Commerce Commission, effective March 2, 1921, at Oakland, and April 6, 1921, at San Francisco, new tariffs naming rate of 70 cents per ton, with a minimum of $12 per car, between Oakland Wharf

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and Elmhurst and between South San Francisco and San Francisco; therefore there is now in effect, at these two terminals, on interstate traffic, practically the adjustment suggested for intrastate traffic.

The applicant presented a number of exhibits showing the volume of the local intrayard traffic within the San Francisco, Oakland and Los Angeles switching limits; also exhibits showing a comparison of the present and proposed rates on commodities actually moved between points where the switching and commodity rates are to be readjusted. At Oakland, as shown by Exhibit No. 6, only nine carloads of freight moved during ten months of 1920 which would have been affected by the change in the rate from 37½ cents to 70 cents per ton. Within the city of San Francisco none of the rates will be increased and some of the traffic will be moved under reduced rates.

The adjustment between South San Francisco and San Francisco locally, and between South San Francisco and interchange tracks of the Belt Railroad for delivery to industries located on that line, would result in reductions on all tonnage of from 80 cents to 70 cents per ton. The traffic moving between South San Francisco and the Belt Railroad interchange tracks for delivery to water carriers, which is of considerable volume, would be increased from 37½ cents to 70 cents per ton. At Los Angeles only a small percentage of the total number of cars switched would be affected by the proposed adjustment in the limited territory, where the rate increases from 37½ cents to 70 cents per ton.

Applicant made no direct attempt in this proceeding to show the cost of the service, although testimony and exhibits were presented on this point in Cases Nos. 1149 and 1433; there was, however, some testimony in a general way as to comparative costs and at the Los Angeles hearing a witness for the interveners stated that the proposed readjustments could not be considered excessive in view of the increased operating costs.

The original grievance of the complainants in Cases Nos. 1149 and 1433 as to the intrayard movement was based upon the fact that between Oakland Wharf and Elmhurst, 9.9 miles, the rate was 37½ cents as against a rate of 80 cents between South San Francisco and San Francisco for practically an equidistant haul.

The decision in Case No. 1433 went into the history of the Oakland situation and called attention to the fact that the extreme limits of the original 25 cent zone were from Oakland Wharf to Alice street, 4.3 miles, later extended to Fruitvale, 7 miles, and finally to Elmhurst, 10.8 miles. The last extension was under the compulsion of an interurban franchise agreement with the city of Oakland. Reference was also made to the rate in effect between San Francisco and South San Francisco. The testimony in Case No. 1433 showed that the original 50 cent rate

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between these two points was first established in 1899, at which time the traffic moved by the Valencia street line. The construction of the Bay Shore cut-off reduced the distance by 3½ miles and on account of the reduction in mileage by the construction of the Bay Shore line complainants contended the rate should have been reduced. The testimony, however, showed that the rate when first put in, more than twenty years ago, was to meet a commercial situation and was based on expediency rather than on the cost of performing the service between San Francisco and South San Francisco.

In Decision No. 2280, Case No. 591, April 9, 1915, published in Volume 6, California Railroad Commission, page 582, the Commission entered into a very careful study of the 50 cent rate then in effect between San Francisco and South San Francisco, which the complainants in that proceeding sought to have reduced to 25 cents per ton, with a minimum charge of $5 per car. The Commission reached the conclusion at that time that the rate of 50 cents per ton in effect in 1915 had not been shown to be excessive or unreasonable and an order denying the application for a reduction was entered.

While, as heretofore stated, the carriers made no direct affirmative showing as to the cost of handling the intrayard switching at the three terminals involved there is more or less testimony throughout all three of the proceedings to show that during the past few years the operating costs of switching service have increased approximately 100 per cent.

This proceeding presents a question of great importance, for not only should the shipper who employs the service pay a reasonable rate, but it is the duty of this Commission to fix such reasonable rate in order that costs may be properly distributed. In the original Case No. 1433, *supra*, complainants alleged unreasonableness and discrimination and in Decision No. 8221 this Commission said:

> The record shows that transportation between San Francisco and South San Francisco is a switching service similar in character to that performed between Oakland Wharf and Elmhurst and while the evidence adduced does not warrant a finding that the 30-cent zone at San Francisco should be extended to include South San Francisco, or that the 60-cent rate between San Francisco and South San Francisco is of itself unreasonable, it does show conclusively that a discriminatory and prejudicial situation has been created by the maintenance of a 30-cent rate between Oakland Wharf and Elmhurst with concurrent charge of 60 cents between South San Francisco and San Francisco.

While the proposed rates may reflect applicant's best efforts to adjust the unreasonable and discriminatory situations now existing, it is apparent that the scale proposed should be revised.

In all three proceedings the South San Francisco Chamber of Commerce (the complainant) directed much of its testimony, exhibits and briefs to the contention that there should be but one uniform rate between all points within the San Francisco switching limits and this without any regard to the length of the haul or the character of the

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territory through which the traffic moved. With this contention I can not agree, for there must be a limit to the distance a rate of fixed volume will carry, some point where the intrayard switching rate must break, otherwise it would be automatically extended with the expansion of industrial territories and the growth of our cities. This is illustrated at Oakland, where the original intrayard switching limit was 4.3 miles under a 25 cent rate, extended to 7 miles and then to 10.8 miles. There are now many factories south of Elmhurst and it would be no violent stretch of the imagination to picture, in the years to come, industrial zones extending without break for thirty or forty miles from the centers of San Francisco, Oakland and Los Angeles; a blanket rate for such a zone manifestly would not be considered and certainly could not be defended. The testimony shows that intrayard switching charges are based on distances at Seattle, Spokane and Portland, also at practically all centers throughout the United States. No testimony was here presented showing different conditions at the California terminals.

During government control a minimum charge of $15 was established for line-haul carload traffic; if this is a reasonable rate, and it has not been proven to be excessive, it is hard to understand why railroads should be expected to charge less for an intrayard service than is assessed for a line-haul movement, unless it be upon the theory that the intrayard local traffic is part of a through movement; in other words, that the tonnage is in many instances moving from one factory to another where it is fabricated or remanufactured and again forwarded to ultimate destination, thereby giving to the carriers a second haul and additional revenue. But this is not always the fact.

Traffic between South San Francisco and the transfer tracks of the Belt Railroad interchange with water carriers now moves under a rate of 37½ cents per ton, minimum $8 per car, for a distance of 9.6 miles; this represents the entire revenue of the Southern Pacific Company for the tonnage turned over to the water lines, where in many instances these lines are in actual competition with the rail carrier.

It is difficult to draw the boundaries of the districts or zones within which local tonnage will be handled at a uniform switching rate and the industry or locality not situated within the lowest rated zone feels itself discriminated against when required to pay the higher charge. The expense of moving cars through the great terminal points is very considerable, and the testimony would indicate that the cost for performing the intrayard service is now as expensive, if not more so, than for an equidistant line-haul movement.

After carefully considering this whole situation, I am of the opinion that the Southern Pacific Company has not entirely justified the proposed tariffs submitted to remove the unreasonable and discriminatory rates.

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I am of the opinion and find that the Southern Pacific Company should be authorized to cancel all of the commodity freight rates now carried in Local and Proportional Tariff 730-A, C. R. C. 2436, applying between San Francisco and South San Francisco and those applying between points within the Oakland switching limits. Since the territory within which these rates apply at San Francisco and Oakland is now all included within the switching limits of the two terminals, as described in Terminal Tariff 230-H under the title "Switching Limits," the rates and charges should be included in the Terminal Tariff.

The rates as between Emeryville, Berkeley, Elmhurst, Alameda and Oakland published in items 1780 and 1785, Tariff 730-A, C. R. C. 2436, Exhibit A, were not directly at issue in this proceeding. In cancelling these items from Tariff 730-A applicant should publish new rates with a proper grade-out to harmonize with those established between the other points in the Oakland switching limits by this opinion and order.

I further find that the applicant herein should be permitted to establish the following switching charges:

San Francisco—

Elkton to Oakdale avenue, 37½ cents per ton; minimum charge $8. (As described in first paragraph of item 2435, amended Exhibit A.)

Valencia street to Bay Shore, 37½ cents per ton; minimum charge $8. (As described in second paragraph of item 2435, amended Exhibit A.)

South of Oakdale avenue to South San Francisco, 37½ cents per ton; minimum charge $8. (As described in fourth paragraph of item 2435, amended Exhibit A.)

Elkton to Bay Shore, 50 cents per ton; minimum charge $12. (As described in third paragraph of item 2435, amended Exhibit A.)

South San Francisco to Valencia street, 50 cents per ton; minimum charge $12. (As described in fifth paragraph of item 2435, amended Exhibit A.)

South San Francisco to Elkton, 70 cents per ton; minimum charge $13. (As described in sixth paragraph of item 2435, amended Exhibit A.)

Oakland—

Oakland Wharf-Sixteenth street to Fiftieth avenue, 37½ cents per ton; minimum charge $8. (As described in first paragraph of item 1985, Exhibit A.)

Elmhurst–Seventy-third avenue to Fallon street, 37½ cents per ton; minimum charge $8. (As described in second paragraph item 1985, Exhibit A.)

East of Fiftieth avenue, including Elmhurst and west of Fallon street, including Oakland Wharf and Sixteenth street, 50 cents per ton; minimum charge $12. (As described in third paragraph of item 1985, Exhibit A.)

Los Angeles—

River Station to Maiers Spur, to Clement Junction to Taylors Spur, 37½ cents per ton; minimum charge $8. (As described in first paragraph of item 1815, amended Exhibit A, and in addition the district east of Clement Junction to and including Twenty-fifth street and Santa Fe avenue.)

River Station; Transfer tracks Los Angeles and Salt Lake and Atchison, Topeka and Santa Fe to Slauson avenue and University, 37½ cents per ton; minimum charge $8. (As described in second paragraph of item 1815, amended Exhibit A, and in addition the district east of Clement Junction to and including Twenty-fifth street and Santa Fe avenue.)

South of Clement Junction to Slauson west to University on the one hand and on the other east of transfer tracks with Los Angeles and Salt Lake to Maiers north from transfer tracks of the Atchison, Topeka and Santa Fe to Taylors Spur, 50 cents per ton; minimum charge $12. (As described in third paragraph of item 1815, amended Exhibit A, and in addition the district east of Clement Junction to and including Twenty-fifth street and Santa Fe avenue.)

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Attention might here be called to the fact that the Terminal Tariff of this applicant is complicated and involved and that an effort should be made to consolidate the switching charge items whenever possible without creating rate advances.

I submit the following form of order:

ORDER.

The Southern Pacific Company having submitted to this Commission, under date December 2, 1920, an application in compliance with the opinion and order rendered by Decision No. 8221, in Case No. 1433 of October 11, 1920, for permission to establish certain switching charges at San Francisco, Oakland and Los Angeles, in order to remove the unreasonable prejudice and disadvantage found to exist by Decision No. 8221, hearings having been held at San Francisco and Los Angeles, the Commission being fully apprised in the premises, and basing its order on the opinion which precedes this order:

It is hereby ordered, that the Southern Pacific Company be and it is hereby authorized to amend and modify the tariff covering the switching charges in accordance with the opinion which precedes this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of May, 1921.

DECISION No. 8962.

PACIFIC PORTLAND CEMENT COMPANY, CONSOLIDATED, A CORPORATION.

vs.

SOUTHERN PACIFIC COMPANY, A CORPORATION, AND CEMENT, TOLENAS AND TIDEWATER RAILROAD, A CORPORATION.

Case No. 1447.

Decided May 12, 1921.

TERMINAL SERVICE—PICK UP AND DELIVERY.—In establishing rates for a commodity which the railroad picks up in carload lots upon its main line and delivers to a connecting carrier, the Commission holds that a terminal service is performed by such carrier to the same extent as when carload shipments are picked up upon industrial or spur tracks.

RAILROAD RATES—COMPETITIVE SHIPPERS.—A regulatory body should not be required to relieve the shipper of the payment of rates which are just and reasonable upon the sole ground that his geographical situation places him at a disadvantage as regards the marketing of his goods in competition with other manufacturers of the same products.

RAILROAD RATES—ESTABLISHED DURING FEDERAL CONTROL.—Rates established by order of the Director General of Railroads during the period of federal control were mandatory and a matter not coming within the purview of state jurisdiction.

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RAILROAD RATES—CAR MILE EARNINGS—VALUE.—Car mile earnings and the value of commodities, while pertinent factors in the establishment of rates are not controlling; also in the establishment of a rate on raw materials the second haul which a carrier receives on the finished product, while considered, does not warrant the establishment of unduly low rates on raw materials.

Jas. A. Keller and *H. H. Sanborn*, for Complainant.

Frank B. Austin, for Southern Pacific Company, Defendant.

Pillsbury, Madison and Sutro, by *M. P. Madison*, for Cement, Tolenas and Tidewater Railroad Company, Defendant.

LOVELAND, *Commissioner*.

OPINION.

This is a proceeding in which the Pacific Portland Cement Company, Consolidated, a corporation, filed a formal complaint with the Railroad Commission against the Southern Pacific Company, hereinafter called the carrier, and the Cement, Tolenas and Tidewater Railroad Company, hereinafter called the cement road, averring that the rate on lime rock of 70 cents per ton from Flint to Tolenas, California, as provided for in Southern Pacific Company's Tariff 730–A I. C. C. No. 4088, C. R. C. No. 2436, page 248, item No. 5770–A, effective February 20, 1920, and a rate of $6.50 per car from Tolenas to Cement, California, as provided in Cement, Tolenas and Tidewater Railroad Company's Local Freight Tariff No. 2, Supplement No. 6 C. R. C. No. 3, superseded by Cement, Tolenas and Tidewater Railroad Company's Local Freight Tariff No. 3 C. R. C. No. 13, are:

First—Excessive, unjust and unreasonable to the extent that they exceed a through rate from Flint to Cement, California, of 60 cents per ton of 2000 pounds, carload minimum weight 60,000 pounds, in violation of section 13 of the act.

Second—Unduly prejudicial to the complainant and preferential to other producers of cement with whom complainant competes, in violation of section 19 of the act.

Third—In violation of section 60 of the act; the rates hereinbefore mentioned having been published during the period of federal control, complainant was thereby prevented from filing a complaint asking for a finding as to the reasonableness thereof.

Fourth—In violation of section 63 of the act; the aforesaid rates having been increased without a hearing before the Railroad Commission of California and a finding thereby that such increases were justified.

Fifth—That the defendants, after the expiration of the period of federal control, hereinbefore mentioned, demanded and received charges for the transportation of lime rock from Flint to Cement, California, based on the said rate of 70 cents per ton of 2000 pounds, plus $6.50 per car, without a finding by the Railroad Commission of the State of California that said increase in rates was justified, in violation of section 63, and therefore are in violation of section 76 of chapter 91

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of the Laws of the State of California, approved March 23, 1915, known as the Public Utilities Act, and acts amendatory thereof and supplementary thereto.

The complainant asks that just and reasonable rates be prescribed and reparation granted.

The Pacific Portland Cement Company, Consolidated, herein referred to as complainant, is a corporation engaged in the manufacture and sale of cement. The complainant built its cement plant in 1902 at Cement, California, which is located on the line of the cement road, two miles from Tolenas, which is between San Francisco and Sacramento, 52 miles east of San Francisco. When the plant was located at Cement there was an apparent ample supply of lime rock immediately adjacent; however, a few years later the lime rock deposit became exhausted and it was necessary for the complainant to either abandon the plant at Cement or to secure a new supply of rock from some other locality. Subsequently, the complainant developed lime rock quarries seven miles from Flint, California, on the American River, and built the Mountain Quarries Railroad, hereinafter called the quarry road, which railroad facility is used for the purpose of bringing lime rock from the quarries to Flint, and returning the empty cars to the quarries for reloading. At Flint the traffic is turned over to the Southern Pacific Company for handling to Tolenas, where it is turned over to the cement road for delivery to destination. The quarry road and the cement road are properties owned by the complainant. The cement road is a common carrier and is made one of the defendants in this proceeding.

When the lime rock deposit at Cement became exhausted and it became necessary to transport its supply of rock from Flint to Tolenas, the complainant started negotiations with the carrier's local traffic officials at San Francisco, and executive officers at Chicago, explaining to them its predicament concerning its supply of raw material and requested the carrier to establish a 50 cent per ton rate on lime rock from Flint to Tolenas, stating that "50 cents per ton was the maximum freight rate we could stand and continue operations and meet the competition of the other cement plants who enjoyed the same freight rate to the San Francisco Bay territory on the manufactured product, cement."

The 50 cent rate as then agreed upon was established several years ago and was still in effect on June 24, 1918 in Southern Pacific Company's Local and Proportional Tariff No. 730, C. R. C. No. 1632, and contemporaneously a rate of $5 per car was provided for the transportation of lime rock, in carloads, from Tolenas to Cement and was published in Cement, Tolenas and Tidewater Railroad Company's Tariff No. 2 C. R. C. No. 3. Since that time, however, all rate schedules have increased. During the period of federal control the Director General

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of Railroads increased all then existing rates by his General Order No. 28, which increased the rate on lime rock from Flint to Tolenas to 70 cents per ton and $6.50 per car and these are the rates against which the plaintiff in this proceeding complains.

By Interstate Commerce Commission Ex Parte 74 and California Railroad Commission Decision No. 7983, effective August 26, 1920, the rates were made 90 cents per ton and $8 per car, and these are the present rates.

The lime rock is quarried by the complainant and hauled by the quarry road to its junction with the carrier. The carrier's haul between Flint and Tolenas is a main-line haul, partly "foothill road" and partly "valley road." There is a division terminal at Roseville where trains are broken up, switched and reclassified.

The complainant's first allegation is to the effect that the 70 cent per ton rate (now 90 cents per ton) on lime rock, carloads, between Flint and Tolenas and the $6.50 per car rate (now $8 per car) are excessive, unjust and unreasonable to the extent that they exceed a joint through rate of 60 cents per ton Flint to Cement. Complainant argues that its shipments are handled by the carrier at considerably less expense than it costs it to handle other commodities; it contends that the carrier performs no terminal service in connection with traffic from Flint to Tolenas; furthermore, that the cars are weighed by the quarry road and offered to defendant carrier ready to move and that the defendant is required only to turn over carloads of lime rock to a connecting carrier at Tolenas and that all of the service performed is a line-haul service. It is self-evident, however, that the defendant carrier does perform terminal service in the case of handling this lime rock to the same extent it would in picking up a shipment from an industrial plant whose side track makes direct connection with the main-line track at point of origin and is delivered to an industry whose side track has direct connection with the main line at destination, or as much terminal service as any intermediate carrier.

Flint is located on a double track line, and testimony showed that on account of Flint not being on the eastbound track empties must be hauled to Bowman and returned in face of traffic and, further, that a switch engine from Suisun does the work at Tolenas. This practice, however, was acknowledged an operating convenience, but nevertheless is a terminal service.

The defendant's witness testified that it is necessary in handling these lime rock shipments, because of the heavy weight per car thereof, to put empty cars into trains in order to equalize the braking power. It was further testified that the braking power of a single average unit is 100 Ms, or 100,000 pounds, while the average load per car of the lime rock in question is 60 tons, or 120 Ms, but the same witness acknowl-

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edged that it is and would be necessary to equalize braking power on other commodities of similar weight and which might be hauled in the same trains with the lime rock, and this would be necessary whether lime rock were in the train or not. Furthermore, the empties used to equalize braking power were westbound empties traveling over the same route and caused no extra expense in thus handling except that of setting cars out at Colfax, to be picked up by trains handling the rock cars. Of course, the defendant could have at once eliminated any inconvenience caused by heavy loading of cars by simply instructing the shipper to load lighter, but in practically all seasons during recent years carriers have agitated heavy loading of all equipment in order to increase the car supply and this was made a special feature during the war period.

Therefore, the equalization of braking power is an operating disability not confined to lime rock, but applies to any loading reaching a weight of over 100 Ms. On the other hand, the complainant set forth the heavy loading of cars as one of the transportation advantages in favor of lime rock. The lime rock cars averaged 60.87 tons per car in 1919, while the average weight per car over carrier's entire system for the same period amounted to 22.90 tons. The testimony also indicated a further transportation advantage on account of the assignment of particular equipment for handling lime rock from Flint to Cement. It was shown that on account of the carrier discontinuing the burning of coal on its Salt Lake Division it was able to release a number of hopper type gondola cars, commonly termed "battle ships." These cars have V shaped bottoms and were formerly used in the hauling of coal; inasmuch as there is comparatively little coal used in California and these cars being specially built for that kind of traffic could not be used for many other kinds of traffic, but could be used to great advantage in the handling of lime rock, for which this type of car is specially adapted.

While the complainant's contention that the heavy loading is a transportation advantage and that it saved many cars during car shortage seasons, in this case there is certainly a mutual advantage in capacity loading alike to shipper, carrier and consignee. In the first place it is not necessary to use so many units in the handling of the large traffic and on account of the particular type of equipment available the shipper suffers less disadvantage in securing equipment in times of car shortage. Furthermore, the hopper type, or automatic unloading facility, is likewise an advantage to the consignee, who is also the complainant. The disadvantage suffered by the carrier on account of the necessity for equalization of braking power is probably offset by the fewer units necessary to handle the traffic and the fewer number of cars required, thus conserving cars and promoting efficiency generally. While the hopper type of gondola car, with V shaped bottom, cannot

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be used for some commodities, it can be used in such service as the hauling of sugar beets, sand and gravel, of which a large traffic moves over defendant's line.

Complainant's second allegation is that rates are prejudicial and discriminatory.

The complainant's contention that it is compelled to pay ultimately higher freight rates on cement for the reason that the supply of raw material at its plant is exhausted, making it necessary to go elsewhere for its supply of rock, while at the same time competing cement manufacturing plants continue to use raw materials procured immediately adjacent to their plants, is a matter of disability of geographical location and one which a regulatory body should not be required to relieve.

In support of the above conclusion we quote the following:

"The jobber with the better geographical location should have the advantage in rates." 27 I. C. C. 417–420.

"The Commission will not overcome a disadvantage arising to the shipper from his geographical location." 26 I. C. C. 8–10.

"The commercial interests of a shipper do not constitute a sufficient ground for demanding lower rates." 26 I. C. C. 13–17.

"It is not the province of the Commission to prescribe rates to enable shippers to overcome their natural disadvantages of location." 24 I. C. C. 315–317.

"It is the duty of the Commission to examine the rates themselves, their relationship one to another, their effect, and to determine under all the circumstances what is the just, the reasonable and the lawful thing to do." 29 I. C. C. 550–557.

It may be that one cement plant, on account of labor or housing conditions, availability of supplies, or other reasons, cannot operate as cheaply as a competitor, yet for these reasons alone the carrier could not consistently undertake to equalize cost of distribution of finished product.

The complainant sets forth in its third allegation that the rates in question are in violation of section 60 of the Public Utilities Act, in view of the fact that they were published during the period of federal control and the complainant was thereby prevented from filing a complaint as to the reasonableness thereof, and allegation four, that the aforesaid rates are in violation of section 63 of the act, because the rates were increased without a hearing before the Railroad Commission and the finding by the Railroad Commission that such increases were justified. The rates prescribed in General Order No. 28 by the Director General of Railroads, effective June 25, 1918, were mandatory and a matter not coming within the purview of state jurisdiction. In the case of *Northern Pacific Railway Company* vs. *State of North Dakota,* the Supreme Court of the United States ruled as follows:

"In taking over the railroads from private ownership to its control and operation, was the resulting power of the United States to fix the rates to be charged for the transportation services to be by it rendered subordinative to the asserted authority of the several states to regulate the rates for all local or intrastate business, * * * ." 250 U. S. 134, 63 Law Ed. 897.

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Elaborate exhibits going into greatly detailed analysis of general statistics taken from the carrier's annual reports to this Commission and to the Interstate Commerce Commission, showing the average net tonnage per revenue car; average tare weight per revenue car; empty and loaded car miles; average gross revenue per car; average miles distance haul; average earnings per ton mile and per car mile, etc., etc. These statistics contain all kinds and character of traffic—switching charges, traffic hauled long distances, traffic hauled short distances, light as well as heavy traffic on which large volume and small volume rates apply. No segregation is made as to state and interstate business, but data is for system-wide operations. Certain of these exhibits purported to show that the car-mile earnings on lime rock were greater than the average car mile earnings on all business handled by the carrier. Car mile earnings, while to be considered, are not the controlling factor in rate making, but the rate per car per mile must be considered in connection with revenue per ton per mile, density of traffic, density of population, operating conditions, cost of service performed, etc., etc. The figures in these exhibits are general and are comparable only to like general figures and were made, undoubtedly, for the purpose of comparing the various elements or factors set forth therein from month to month and from year to year, but it is a practical impossibility to pick out any one factor average and set it up as a measure to build new rates upon, for the very reason that the figures are not comparable—a single rate on a particular commodity cannot be made comparable to general figures resulting from massed traffic. Furthermore, these general figures contain amounts required for taxes, interest on indebtedness and investment and overhead expenses, as well as any profits that might accrue.

Evidence was presented indicating that lime rock is more valuable than sand, gravel and ballasting materials. In rate making value is a pertinent factor but not a controlling one. It was further contended that a lower rate should apply on the lime rock traveling from the quarry to the point of manufacture on account of the second haul of the finished product, cement. In making rates on raw materials the second haul should be considered, but at the same time the second haul alone does not warrant the making of an unreasonably low rate on raw materials. Carriers are entitled to a reasonable rate on all commodities.

Testimony was given to the effect that marketing conditions were equalized on cement from San Juan, Davenport and Cement to the San Francisco market, but no evidence was produced to show that any one of the cement plants can get to the San Francisco market any cheaper than another. The record is barren of any evidence of the cost of producing cement, or of the sale price, or of the profit and loss on cement either

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at San Juan, Davenport, Cowell or the complainant's plant at Cement, California. We find that not only is the cement rate equalized to the San Francisco market district, but is also equalized to Los Angeles, Pasadena and San Bernardino, to which points the complainant's competitors are nearer. The same rates apply from cement-producing plants at Cowell, Napa Junction, Cement, Davenport and San Juan; to Calexico in the Imperial Valley; to Lone Pine on the Owenyo branch of the Southern Pacific. The same rates apply from all cement-producing plants referred to above to San Jose, to which point complainant's competitors are nearer.

Differences in industrial and traffic conditions in different territories may justify the maintenance of higher or lower rates in one or the other section, as conditions and circumstances may require. Such adjustments, however, are usually made voluntarily by carriers.

The complainant contended that transportation conditions are more favorable between Buman and Oswego, Oregon; that the operating expense is much less on account of physical conditions; it showed that the average weight per car is less, and that the rate volume is slightly less. The distance between Buman and Oswego is 65 miles, as compared with 72 miles between Flint and Tolenas. The cars used in carrying lime rock from Buman to Oswego are of various types and capacities and which would otherwise move empty to loading points, and the carrier's witness testified that low rates were made on rock from Buman to Oswego in order to provide return loads for empty equipment.

The evidence showed that the complainant competes with Oregon in the sale of cement, but not lime rock; it also showed that the Oregon cement manufacturers cannot compete in California in the sale of cement.

Comparing the rates on crushed rock, sand and gravel in various parts of the state where traffic actually moves, we find on the San Francisco-Sacramento Railroad between Oakland and Bancroft, a distance of 23 miles, a rate of 70 cents applies, minimum carload weight 30 tons, producing a per ton mile earning of 30 mills and a revenue per car mile of 91 cents. On the Northwestern Pacific Railroad, between San Francisco and Healdsburg, 51 miles, 70 cents per ton produces a per ton mile earning of 13.7 mills and revenue per car mile of 41 cents; on the Santa Fe, between Woodrock and Ducor, the same rate applies for a distance of 78 miles, producing a per ton mile earning of 9 mills and a revenue per car mile of 27 cents; on the Western Pacific mileage scale a 70 cent per ton rate applies for 41 miles, producing a per ton mile earning of 17 mills and a per car mile revenue of 51 cents; the Southern Pacific Company, between Buman, Oregon and Oswego, Ore-

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gon, a movement referred to by the complainant, a rate of 60 cents per ton applies for a distance of 65 miles, producing a per ton per mile earning of 9 mills and a revenue per car mile of 27 cents. As compared with the rate between Tolenas and Flint of 70 cents per ton for a distance of 72 miles at minimum weight, which produces an earning of 9.7 mills per ton mile and a revenue of 28 cents per car mile.

The rates on crushed rock, sand and gravel quoted above, generally speaking, are rates applying on a fluctuating business, with various points of origin and various destination points and are not comparable to a single rate applying between fixed termini where an extremely heavy regular and constant traffic moves. In fact, the record is barren of any instance where traffic conditions are similar or comparable.

This complaint was filed shortly after the relinquishment of Government control of railroads, during the guaranty or transition period. The rates herein complained of were the result of Director General of Railroads General Order No. 28 and did not include increases brought about by the Interstate Commerce Commission's Ex Parte No. 74 and this Commission's Decision No. 7983, effective August 26, 1920.

When this Commission considered the application of all steam and electric interurban railroads and boat line common carriers to increase freight and passenger rates throughout the State of California in harmony with the increases granted by the Interstate Commerce Commission for interstate business, we concluded that on account of the emergency then existing it would be most expedient to go with the Interstate Commerce Commission and authorize the identical percentage increase for state business as was authorized for interstate business. It was entirely inconsistent for this Commission to undertake independent action, for the reason that it would be necessary for us to gather adequate data upon which to base a sound judgment of what all transportation rates in California ought to be, as it would require many months and would, therefore, eliminate all possibility of immediate relief to carriers, so necessary at that time.

Furthermore, we realize that the Interstate Commerce Commission was acting under the mandate of Congress and had proceeded impartially, using the best available information and the best judgment of its members in rendering its decision and order in Ex Parte No. 74. Following that line of thought this Commission in its Decision No. 7983 included the following language:

> It is our deliberate judgment that it is the duty of this Commission to cooperate in every reasonable way to give the Esch-Cummins Act a fair trial and, rather than to attempt to impair the success of this legislation, to so act as to make it successful, not merely on the general proposition that all laws should have a fair test, but on the more definite situation that now confronts this country. We must all realize that the transportation companies have resumed control of the various railroad properties under difficult circumstances, and in view of the vital needs of this country for adequate transportation it is the duty of all citizens and officials to further any movement looking to the bettering of the transportation business.

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We feel that regardless of any opinion we might have as to the wisdom or unwisdom of the Esch-Cummins Act, it is the foundation upon which the regulation of the railroad now rests and to shake that foundation would be against the public interest.

We do not mean to say that this Commission has abdicated its functions in rate fixing, as we believe that our determination to grant the prayer of applicants is sustainable upon the ground of reasonableness. Furthermore, we realize that we have a heavy responsibility in the matter of adjusting state rates which inevitably will become necessary upon the imposition of a percentage increase. The shippers who appeared before us in this proceeding have taken a very commendable position. Practically without exception they have stated their conviction that the railroads must have relief in increased rates in order adequately to give service. Furthermore, they believe that this Commission should cooperate with the Interstate Commerce Commission and make effective its order increasing rates. They do urge, however, that this Commission keep control of the matter of adjustment of rates after the imposition of a percentage increase.

The carriers have agreed that they will, as promptly as possible, make adjustments or change rates in agreement with their patrons wherever possible without resort to this Commission and as to all disputes or disagreements which may arise they will be promptly referred to this Commission for decision.

In line with the immediate preceding paragraph, we placed in our order the following:

ADJUSTMENTS:

This proceeding will be kept open for the purpose of considering adjustment of rates and all appropriate matters which may properly be brought before the Commission.

Adjustments will be necessary and carriers will be expected to deal promptly and effectively therewith, to the end that such readjustments may be made in as many instances as practicable without forcing an appeal to this Commission.

The hearings in this proceeding were concluded and the case submitted on August 26, 1920, and subsequent thereto the complainant, in accordance with the adjustment clause in our order referred to above, took up with the carrier the matter of an informal adjustment of the lime rock rate between Flint and Tolenas and they were unable to agree.

Taking into consideration that the original rate of 50 cents per ton on lime rock, carloads, Flint to Tolenas, was voluntarily established by the carrier; that there is a second haul on all lime rock moved between the points in question; competitive marketing conditions on cement that carrier has undertaken to equalize; the extremely large volume of traffic; the constancy of the traffic; that cars are weighed by the shipper and thus the carrier is relieved of that expense; nominal terminal service; that special equipment is used, resulting in mutual benefit to all concerned; the heavy loading of cars, also a mutual benefit; that the rate resulting from General Order No. 28 was 20 cents per ton instead of a flat 25 per cent increase, thereby causing in reality an actual increase of 40 per cent.

Upon this record I find that the 70 cent per ton carload rate on lime rock from Flint to Tolenas, assailed by the complainant, is not unreasonable, unjust, discriminatory or unduly prejudicial.

For the reason that the complainant owns and operates the defendant carrier, Cement, Tolenas and Tidewater Railroad Company, I will

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make no finding as to the reasonableness of the rate over that line, leaving that to the complainant to adjust as it chooses.

This determination is necessarily based upon the record presented in this case, which was completed and submitted on August 26, 1920. Insofar as any reparation was asked for by the complainant, it relates entirely to the difference between the alleged unreasonableness of the rate in effect when the complaint was filed and the rates proposed by complainant as reasonable rates.

I must conclude, however, from the record before me that not only is a rate in excess of 70 cents per ton charged and collected since September 1, 1920, unreasonable, but that the reasonable rate is 70 cents per ton for the future. In reaching this conclusion I am not unmindful of the authority granted the carrier in Decision No. 7983, Application No. 5728, August 17, 1920, to increase the entire fabric of freight rates, but that authority was granted without consideration of any specific rates, they being subject to future adjustments as appeared necessary. Clearly the record in this proceeding shows that a rate higher than 70 cents per ton would at this time and for the future be excessive and unreasonable.

Having found herein that 70 cents per ton is a reasonable rate for the movement of lime rock, in carloads, from Flint to Tolenas, if the matter of reparation on shipments moved subsequent to the submission of this case is not voluntarily adjusted, the Commission will entertain an application for such adjustment. The case will be dismissed.

ORDER.

Complaint and answer having been filed in the above entitled proceeding, a public hearing having been held, the Commission being fully apprised in the premises, and basing its order on the findings of fact which appear in the foregoing opinion;

It is hereby ordered, that the complaint in this proceeding be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of May, 1921.

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DECISION NO. 8963.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING APPLICANT TO ISSUE AND SELL ONE MILLION DOLLARS FACE VALUE OF ITS FIRST AND REFUNDING MORTGAGE SEVEN PER CENT TWENTY-YEAR GOLD BONDS OF SERIES "A" AND TO USE THE PROCEEDS FOR THE PURPOSES SET FORTH IN THIS PETITION.

Application No. 6761.

Decided May 12, 1921.

Applicant authorized to issue $1,000,000 face value of its first and refunding mortgage seven per cent twenty-year bonds. Such bonds to be sold at not less than 93½. Of the proceeds $561,753 to be used by applicant to reimburse treasury covering a portion of moneys expended in retiring certain of its general and refunding bonds. The remainder thereof to be used for purchasing and retiring additional underlying bonds.

Wm. B. Bosley and *C. P. Cutten*, by *C. P. Cutten*, for Applicant.

MARTIN, *Commissioner.*

OPINION.

Pacific Gas and Electric Company asks permission to issue and sell at not less than 93½ per cent of face value and accrued interest, $1,000,000 of its first and refunding mortgage 7 per cent twenty-year bonds of Series "A," due December 1, 1940, and use $561,753 of the proceeds to reimburse the cost of purchasing $720,000 of its general and refunding mortgage bonds and the remainder of the proceeds to purchase additional underlying bonds. Applicant also asks permission to deposit the $720,000 of general and refunding bonds and any additional underlying bonds with the authenticating trustee under its first and refunding mortgage.

The Railroad Commission, on March 10, 1921, by its Decision No. 8724, authorized Pacific Gas and Electric Company to execute a first and refunding mortgage to secure the payment of an issue of $160,000 of bonds. The mortgage provides for the certification of bonds to retire, refund or discharge at or before maturity, any or all applicant's underlying bonds. As of December 31, 1920, the company reports $95,758,600 of underlying bonds outstanding in the hands of the public, $36,542,000 of which consists of general and refunding mortgage 5 per cent bonds, due January 1, 1942.

The testimony of Mr. A. F. Hockenbeamer, applicant's vice president and treasurer, shows that there have been purchased on applicant's account in the open market, $720,000 of its general and refunding mortgage bonds at a cost, excluding accrued interest, of $561,753.

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Applicant now asks to issue, at 93½, $1,000,000 of first and refunding mortgage bonds. It intends to sell forthwith $720,000 of its first and refunding bonds at 93½ and accrued interest. Of the proceeds it will use $561,753 to reimburse itself for moneys expended in purchasing the $720,000 of general and refunding bonds. Applicant asks permission to use the remainder of the proceeds, $111,447 and the proceeds from the $280,000 of bonds which it intends to sell at a later date, to acquire additional underlying bonds or notes. This may be done only if the underlying bonds or notes can be acquired at a price which will not result in an increase in the effective interest rate paid by applicant.

I herewith submit the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to issue and sell $1,000,000 of bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue and sale of the bonds herein authorized is reasonably required for the purposes specified herein, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Pacific Gas and Electric Company be and it is hereby authorized to issue and sell for cash, at not less than 93½ per cent of face value and accrued interest, $1,000,000 of its first and refunding mortgage 7 per cent twenty-year bonds of Series "A" due December 1, 1940.

The authority herein granted is subject to further conditions as follows:

1. Of the proceeds realized from the sale of said $1,000,000 of bonds $561,753 may be used by applicant to reimburse itself for money expended to acquire $720,000 of its general and refunding bonds, which shall be deposited with the authenticating trustee under applicant's first and refunding mortgage.

2. The remainder of the proceeds realized from the sale of said $1,000,000 of bonds may be used by applicant to acquire additional underlying bonds or notes provided such underlying bonds or notes can be acquired at a price which will not increase applicant's effective interest rates or payments, and that all of said underlying bonds or notes be deposited with the proper trustees under applicant's mortgages or cancelled. If applicant is unable to acquire underlying bonds or notes in compliance with this order, the Commission will by supplemental order upon a proper showing having been made authorize applicant to expend the remainder of the proceeds for some other purpose or purposes.

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3. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act, and will apply only to such bonds as may be issued, sold and delivered on or before December 31, 1921.

4. Pacific Gas and Electric Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of May, 1921.

DECISION NO. 8972.

R. R. YOUNG, DOING BUSINESS UNDER THE NAME OF STOCKTON, SONORA AND GROVELAND STAGE COMPANY.

vs.

JACK STOUT.

Case No. 1555.

Decided May 14, 1921.

STAGE LINE OPERATION—VIOLATION OF TRANSPORTATION ACT.—An individual operating a so-called taxi service whose business between two incorporated municipalities develops to the extent that he is operating such service upon a regular schedule between two fixed termini, is a common carrier as defined by chapter 213, Statutes of 1917, and is subject to the jurisdiction of this Commission. He can not operate such service without first securing a certificate to operate. Without a certificate such service is an operation in violation of the above named chapter.

Defendant directed to immediately discontinue the operation of motor stage service as a common carrier of passengers between Groveland and Stockton and intermediate points.

Lafayette J. Smallpage and *John Hancock*, attorneys for R. R. Young.

Louttit and Stewart, for Jack Stout, Defendant.

BY THE COMMISSION.

OPINION.

R. R. Young, complainant, in this proceeding alleges in substance and effect:

That said defendant, Jack Stout, is unlawfully and without authority from this Commission operating an automotive passenger stage service for compensation, between fixed termini and over a regular route,

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between Groveland, Tuolumne County, California, and Stockton, San Joaquin County, California, and intermediate points, in violation of chapter 213, Statutes of 1917, as amended by chapter 280, Statutes of 1919, and prays for an order of this Commission directing him to discontinue forthwith said unlawful operations.

The complainant, R. R. Young, is operating under the fictitious name of the Stockton, Sonora, Groveland Stage Company, an automotive passenger stage service between Groveland and Stockton, and has filed tariffs and time schedules with the Railroad Commission of the State of California in accordance with the law. The operative rights of R. R. Young were established by virtue of the fact that he was operating prior to the first day of May, 1917, and has ever since continued in good faith to so operate.

Jack Stout, the above named defendant, in answer to said complaint, denies all of the allegations contained in said complaint and, furthermore, alleges that the Railroad Commission of the State of California has no jurisdiction to enjoin or restrain the defendant from engaging in the transportation business.

A public hearing in the above entitled matter was conducted by Examiner Satterwhite at Stockton on April 18, 1921.

The defendant at the hearing moved that the case be dismissed, on the ground that the Railroad Commission is without jurisdiction to grant the relief sought. The motion was denied upon the ground that the Auto Stage and Motor Truck Transportation Law, chapter 213, Statutes 1917, as amended, provides in part in section 1, subsection (e) as follows:

> * * * Whether or not any automobile, jitney bus, stage or auto stage is operated by a transportation company "between fixed termini or over a regular route" within the meaning of this act shall be a question of fact and the findings of the Railroad Commission thereon shall be final and shall not be subject to review.

The above language clearly indicates that if a transportation company is found to be operating between fixed termini or over a regular route without first having secured from the Railroad Commission a certificate of public convenience and necessity, in accordance with section 5 of the Auto Stage and Motor Truck Transportation Law, it is operating in violation of the law.

The complainant called a number of witnesses, including Mr. Harold Emory Kast, a chauffeur and employee of Jack Stout, the defendant, who drives the automobile belonging to Jack Stout, carrying passengers between Groveland and Stockton. The testimony shows that the defendant started a taxicab service in the town of Groveland on March 5, 1921, and solicited the hauling of passengers for hire anywhere and at any time. This taxicab business grew, it appears, until the frequency and regularity of the trips between Groveland and Stockton have

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caused an evolution of the business from that of a taxicab service to that of a common carrier operating for compensation over a regular route between Groveland and Stockton. The testimony of Mr. Kast indicated in one instance that he had made twelve or thirteen round trips during April, and in another part of his testimony he admitted that he had made about twenty-two trips in April, or at least an average of three trips a week between the terminals mentioned. It is, therefore, clearly evident that the service rendered by Jack Stout between Groveland and Stockton comes within the purview of the law above quoted and that his operations, which are not authorized by this Commission, are in violation of the law.

The defendant testified in his own behalf to the effect that he had established this service at Groveland with the intention of doing a strictly taxicab business, but that the business has grown to such an extent that he is making more trips between the terminals mentioned than had been originally anticipated.

After a careful consideration of all the evidence, we are of the opinion and find as a fact that Jack Stout is unlawfully and without authority of this Commission operating a motor stage service as a common carrier of passengers between Groveland and Stockton and intermediate points.

ORDER.

A public hearing having been had in the above named proceeding, the matter being submitted and the Commission being fully advised in the premises:

It is hereby found as a fact that Jack Stout, said defendant, is unlawfully and without authority of this Commission operating a motor stage service as a common carrier of passengers between Groveland and Stockton and intermediate points; and basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Jack Stout be and he is hereby ordered and directed to cease and discontinue forthwith said automotive stage service as a common carrier of passengers between Groveland and Stockton and intermediate points.

Dated at San Francisco, California, this fourteenth day of May, 1921.

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DECISION NO. 8973.

IN THE MATTER OF THE APPLICATION OF J. I. WAGY, DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF WEST SIDE WATER COMPANY, FOR AN INCREASE OF MINIMUM RATE FOR WATER USED.

Application No. 6046.
Decided May 14, 1921.

L. R. Godward, for Applicant.

BY THE COMMISSION.

OPINION.

J. I. Wagy, applicant in the above entitled matter, and operating under the firm name and style of West Side Water Company, is engaged in the business of supplying water for domestic and commercial purposes to consumers in and in the vicinity of Maricopa, Kern County.

This proceeding grows out of a matter which was brought before the Commission informally, wherein West Side Water Company presented an agreement signed by consumers indicating their voluntary consent to an increase in minimum charge for water from $1 for 8 barrels or less to a charge of $2 for 16 barrels or less per month. On July 16, 1920, the Commission authorized the temporary establishment of the increased minimum, with the understanding that an application would immediately be filed with the Commission for the formal establishment of the rate. The temporary rate was put into effect by applicant on August 1, 1920.

The present application is for authority to establish and make permanent the temporary minimum monthly rate which was informally authorized, it being alleged in effect that due to the increased costs of labor and material the revenue derived from the former rates is not sufficient to yield operating expenses, replacement fund and a reasonable return on the investment.

A public hearing in this matter was held before Examiner Westover in Maricopa, of which all interested parties were notified and given an opportunity to be present and be heard.

Applicant's entire water supply is purchased at a contracted rate of ten cents per barrel from the Wagy Ranch Water Company, which obtains its water from several springs located in what is known as Ballinger Canyon, in Ventura County, and delivers the water by gravity through approximately eighteen and one-half miles of pipe line to the storage tanks of the applicant in Maricopa. The Wagy Ranch Water Company which serves water to but one consumer, the applicant herein, is a corporation which is owned and managed by J. I. Wagy.

The water system of the applicant consists of three galvanized iron

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storage tanks of a total capacity of 4500 barrels from which the water is distributed by gravity through about 8200 feet of six-inch and four-inch steel mains used for fire purposes, and approximately 12,200 feet of iron pipe, varying from two inches to one-half inch in diameter used for the domestic supply. On December 1, 1920, there were 341 active services all of which were metered.

No appraisal of the value of the water utility property of this company or estimate of future operating expenses was submitted in behalf of applicant other than a statement by J. I. Wagy that he considered that the original cost of the plant was slightly over $27,000. The report of M. R. MacKall, one of the Commission's hydraulic engineers, shows an appraisement of this plant, based upon the available records of actual original cost, of $22,304. An annual replacement fund of $608, computed by the sinking fund method, is shown, and a reasonable annual allowance for maintenance and operation expense is estimated at $20,992. In this latter figure $15,887 is included as the cost of water which is purchased to supply the system at the present contract rate of ten cents per barrel. From a careful analysis of the evidence it appears that the estimates submitted by the Commission's engineer are fair and reasonable and may properly be included in the company's annual charges.

The total annual charges based on the foregoing estimates are $23,384. The revenues for 1920 (the month of December being estimated) total $21,399. This sum includes five months' revenue derived from the temporary increased minimum charge agreed upon by consumers and authorized by the Commission. Taking these figures as a basis, it appears that the additional income produced by the increased minimum charge which was temporarily authorized will not produce a revenue greater than the sum necessary to meet the estimated annual charges.

ORDER.

Application having been made to the Railroad Commission as entitled above, a public hearing having been held and the Commission being fully advised in the premises:

It is hereby found as a fact that the minimum charge temporarily established on July 16, 1920, for the service of water to consumers of West Side Water Company is a just and reasonable charge for the service rendered.

And basing its order on the foregoing finding of fact and on the other statements of fact which are contained in the opinion which precedes this order;

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It is hereby ordered, that J. I. Wagy be and he is hereby authorized to file with the Commission as the monthly minimum charge for service rendered by the West Side Water Company, the following:

Monthly minimum meter rate, entitling consumer to 16 barrels of water or less per month $2 00

said rate being the temporary rate authorized by this Commission which became effective August 1, 1920.

It is hereby further ordered, that except as modified or changed herein the rates heretofore filed with this Commission shall remain in full force and effect.

It is hereby further ordered, that West Side Water Company be and it is hereby directed to file with the Railroad Commission within thirty (30) days from the date of this order, rules and regulations governing the service of water to its consumers, said rules and regulations to be put into effect upon their approval by the Railroad Commission.

Dated at San Francisco, California, this fourteenth day of May, 1921.

DECISION No. 8977.

WILLIAMS MOTOR EXPRESS COMPANY
vs.
SANTA FE EXPRESS AND DRAYAGE COMPANY.

Case No. 1547.

J. W. SCOTT (DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF WILLIAMS MOTOR EXPRESS COMPANY.)
vs.
C. D. RASMUSSEN (DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF SANTA FE EXPRESS AND DRAYAGE COMPANY).

Case No. 1556.

Decided May 16, 1921.

AUTO STAGE RATES—CONCURRENCE—REVOCATION OF.—A joint concurrence cannot be revoked except by the filing of such revocation with the Commission and service of a copy of the same upon the party to whom originally given, at least ten days in advance of the date such revocation is to become effective. Also no concurrence can be revoked when such revocation will result in an increase in rates except upon a showing before the Commission and a finding by the Commission that such increase is justified.

An auto stage company operating as a common carrier between San Francisco and Oakland will not be required by the Commission to divert shipments, San Francisco to intermediate points, Oakland and San Jose, to another specified common carrier unless such shipments are specifically routed and marked via the other carrier in question.

Defendant directed to hereafter notify complainant of all shipments which it receives for movement, San Francisco to Oakland, destined to San Leandro or Haywards which are marked via the route operated by complainant company. Shipments not so definitely routed will be forwarded to destination via any line authorized to operate between the communities above named.

Sanborn and Rochl, by *A. B. Rochl*, for Complainant.

Myron Harris, for Defendant.

BY THE COMMISSION.

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OPINION.

In case No. 1547, complainant alleges unlawful operation by defendant in the handling of shipments originating at San Francisco and destined to San Leandro and Haywards via the through route existing by a combination of the local service rendered by the Williams Motor Express Company and the Santa Fe Express and Drayage Company, and the Commission is requested to make its order restraining the Santa Fe Express and Drayage Company from handling any and all shipments destined to San Leandro and Haywards over its lines, pending a ruling of the Commission and a decision in this case.

In case No. 1556, complainant sets forth the correct parties in interest, both complainant and defendant being individuals operating under fictitious names. The allegations of the complaint and the relief requested in Case No. 1556 are practically identical with those contained in Case No. 1547, *supra*, the complaint in Case No. 1556 following more closely the requirements of the Commission as contained in its rules of procedure.

A public hearing on the above entitled matters was conducted by Examiner Handford at San Francisco on April 21, 1921, at which time the matters were consolidated for the purpose of receiving evidence and for decision, were duly submitted, and are now ready for decision.

Complainants allege that defendants, without securing authority from this Commission, have disregarded the provisions of a joint tariff filed to care for through business originating at San Francisco and destined to San Leandro and Haywards, the handling of such through business requiring the service of both complainant and defendant; that a concurrence in the through tariff has been cancelled by defendant without the permission of this Commission and that such permission is required in that by such cancellation the combination of local rates exceeds the former joint rate provided by the concurrence and joint tariff and results in increased rates to the public desiring to use such through route and joint rate; that defendant has been and is now soliciting and handling shipments destined to San Leandro and Haywards over its own line and making deliveries by its own trucks for which it possesses no authority or certificate of public convenience and necessity from this Commission; that it has failed and refused and still fails and refuses to deliver to complainant shipments originating at San Francisco and destined to San Leandro and Haywards, complainant alleging that it is entitled to transport such shipments over the portion of the through route from Oakland to San Leandro and Haywards.

Defendant in its answer in Case No. 1547, denies the material allegations of the complaint and also sets forth sundry allegations as to the method of conducting the business of the complainant, which allega-

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tions are not pertinent to the issues in these proceedings and are outside the jurisdiction of the Commission.

Witnesses for complainant and defendant testified as to conditions surrounding the traffic between San Francisco, Oakland, San Leandro and Haywards; as to the causes surrounding the diversion of shipments from the former joint route and the method in which shipments have been and are at present being handled. It was stipulated that all records of the Railroad Commission might be considered as being in evidence in this proceeding.

We have carefully considered all evidence, exhibits and our own records in these proceedings and have arrived at the following statement of facts.

Mrs. J. W. Scott, operating under the fictitious name of Williams Motor Express Company, is the proprietor of an automobile truck line as a common carrier of freight between Oakland, San Leandro and Haywards. This operation is conducted by reason of succession to operation heretofore conducted prior to May 1, 1917, the date recognized by the legislature in the passage of chapter 213, Laws of 1917, as that upon which operators in good faith were not required to secure certificates of public necessity and convenience from this Commission nor permits from the governing bodies of the various political subdivisions through which a route passed. The tariffs and schedules of Mrs. Scott are on file with this Commission, as required by the provisions of General Order No. 51.

C. D. Rasmussen, operating under the fictitious name of Santa Fe Express and Drayage Company, is the proprietor of an automobile truck line as a common carrier of freight between San Francisco and Oakland, Berkeley, Alameda, Piedmont, Emeryville, Fruitvale and Melrose. This operation is conducted by reason of operation in effect prior to May 1, 1917, the date recognized by the legislature in the passage of chapter 213, Laws of 1917, as that upon which operators in good faith were not required to secure certificates of public convenience and necessity from this Commission nor permits from the governing bodies of the various political subdivisions through which a route passed. The tariffs and schedules of Mr. Rasmussen are on file with this Commission as required by the provisions of General Order No. 51.

On March 14, 1918, the Santa Fe Express and Drayage Company by its Form F 2 No. 1 filed a concurrence in all schedules made and filed by Williams Motor Express Company or its agent. After the filing of such concurrence shipments moving between San Francisco, Berkeley, Alameda and Piedmont to Oakland, Fruitvale, Melrose, San Leandro and Haywards were covered by Joint Tariff C. R. C. No. 1 issued by Williams Motor Express Company. On February 28, 1921, the Wil-

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liams Motor Express Company changed the location of its station in the city of Oakland, it formerly having occupied premises jointly used by the Santa Fe Express and Drayage Company. On March 1, 1921, representatives of the Williams Motor Express Company called at the station of the Santa Fe Express and Drayage Company for any shipments that might be destined to San Leandro and Haywards via the line of the Williams Motor Express Company. They were refused any shipments and for several days following inquiries as regards shipments were met with the advice that there were no shipments at the station of the Santa Fe Express and Drayage Company to be transported over the line of the Williams Motor Express Company. On March 7, 1921, the Santa Fe Express and Drayage Company by C. D. Rasmussen filed with the Railroad Commission a document dated March 15, 1921, giving notice of the revocation of its concurrence (Form F 2, No. 1) issued under date of March 14, 1918, in favor of Williams Motor Express, the notice of concurrence to become effective March 15, 1921, and purporting to be issued under Rule No. 8c of General Order No. 51 of this Commission, such rule providing as follows:

> A power of attorney or concurrence may be revoked by filing notice of such revocation with the Commission and serving a copy of same upon the party to whom originally given at least ten days in advance of the date such revocation is to become effective.

The revoking of the concurrence resulted in an increase of rates in that the sum of the locals via the line of the Santa Fe Express and Drayage Company—San Francisco to Oakland—and via the line of the Williams Motor Express Company between Oakland, San Leandro and Haywards being greater than the through rate via the use of the respective lines and the joint rates as filed in Williams Motor Express Company's local and Joint Freight Tariff C. R. C. No. 1.

Shipments originating in San Francisco or Oakland with the Santa Fe Express and Drayage Company and which were destined to San Leandro and Haywards were turned over by the Santa Fe Express and Drayage Company to the S. and F. Auto Truck Line and the same rates were assigned on the through business as formerly obtained under the joint freight tariff filed by the Williams Motor Express Company. The assignment of such rates was illegal in that there was no concurrence existing between the S. and F. Auto Truck Line and the Santa Fe Express and Drayage Company.

On April 11, 1921, the S. and F. Auto Truck Line by C. D. Rasmussen, its manager, filed with the Railroad Commission a document (F 2, No. 1) assenting to and concurring in the publication and filing of any freight rate schedule, as filed by the Santa Fe Express and Drayage Company, and on April 23, there was filed with this Commission, by the Santa Fe Express and Drayage Company, Supplement No. 5 to Santa

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Fe Express and Drayage Company's Tariff C. R. C. No. 2 naming joint rates between San Francisco and San Leandro and Haywards in connection with S. and F. Auto Truck Line under the authority conferred by S. and F. Auto Truck Line F 2, No. 1.

Complainant, Williams Motor Express Company, alleges that the Santa Fe Express and Drayage Company had sent its own trucks into the territory serving San Leandro and Haywards. We find from the evidence that this is not a fact and that the business was turned over to the S. and F. Auto Truck Line; such line having operative rights from Oakland to San Jose serving as intermediates the communities at San Leandro and Haywards. The handling of this business under the joint rates is a violation of the regulations of this Commission in that no joint rates were filed with this Commission as existing between the Santa Fe Express and Drayage Company and the S. and F. Auto Truck Line. Upon the cancellation of the concurrence of the Santa Fe Express and Drayage Company with the Williams Motor Express the correct rates applicable would be a combination of locals and such combination of locals would have resulted in rates higher than the previously published joint rates participated in by each of these companies. The combination of locals resulting in an increase in rates constituted a violation of the provisions of Rule 11a of General Order No. 51 of this Commission, such rule reading as follows:

> No transportation company shall raise any rate, fare, toll, rental or charge or so alter any classification, contract, practice, rule or regulation as to result in an increase in any rate, fare, toll, rental or charge, under any circumstances whatsoever, except upon a showing before the commission and a finding by the commission that such increase is justified.

The filing of a concurrence by the S. and F. Auto Truck Line with the Santa Fe Express and Drayage Company and the subsequent publishing of a tariff by the Santa Fe Express and Drayage Company naming through rates between San Francisco, San Leandro and Haywards via the line of the S. and F. Auto Truck Line and the Santa Fe Express and Drayage Company has resulted in the public again being able to receive the benefit of through rates between such points.

The Commission in these proceedings is not interested in the matter of the change of terminals in Oakland of the Williams Motor Express Company although Williams Motor Express Company is entitled to transport and receive notice from the Santa Fe Express and Drayage Company of any shipments arriving at the Oakland station of the Santa Fe Express and Drayage Company and marked to consignees in San Leandro and Haywards, care Williams Motor Express Company. The Santa Fe Express and Drayage Company is not obligated nor will it be required by this Commission to divert to Williams Motor Express Company any shipments not specifically routed and marked via Williams Motor Express Company as the delivering carrier.

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After carefully considering all the evidence, exhibits and the record filings of the Commission, we are of the opinion that the complaints herein should be dismissed in accordance with the following order.

ORDER.

A public hearing having been held in the above entitled proceedings, the matters having been duly submitted and the Commission being fully advised, and basing its order on the findings of fact as contained in the opinion preceding this order;

It is hereby ordered, That shipments originating with or collected by C. D. Rasmussen, operating under the fictitious name of Santa Fe Express and Drayage Company, in San Francisco, Oakland, Berkeley, Alameda, Piedmont, Emeryville, Fruitvale or Melrose and destined to San Leandro and Haywards, when such shipments are routed via the line of Mrs. J. W. Scott, operating under the fictitious name of Williams Motor Express Company, shall be delivered at the station of C. D. Rasmussen to Mrs. J. W. Scott or her representatives and that notification of such shipments being ready for delivery shall be made by post card notice, telephone, or any other method that may be agreed upon. Shipments which are not definitely routed via the line of Mrs. J. W. Scott, operating under the fictitious name of Williams Motor Express Company, may be routed to destination via any line authorized to operate in the communities of San Leandro and Haywards.

C. D. Rasmussen is hereby required to notify prospective shippers from whom consignments are received when same are destined to San Leandro and Haywards of the existence of through route and joint rates and also as to the through rates that are arrived at by a combination of locals, this that the shipping public may have notice of existing rates and be fully advised at the time of selecting the route over which transportation is desired.

It is hereby further ordered, that as to other matters herein complained of that these complaints be and the same hereby are dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of May, 1921.

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DECISION No. 8979.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING IT TO ISSUE AND PLEDGE BONDS.

Supplement to Application No. 6572.

Decided May 16, 1921.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Whereas, San Joaquin Light and Power Corporation in its original petition in Application No. 6572 asked permission to issue and deposit with the trustee under its proposed unifying and refunding mortgage $5,000,000 of first and refunding mortgage bonds; and

Whereas, the Commission by Decision No. 8716, dated March 9, 1921, authorized the use of $2,375,000 of said first and refunding mortgage bonds for the purpose indicated, and declared that the issue of the remaining $2,625,000 of bonds might be authorized after applicant had made a satisfactory showing justifying the issue of said bonds; and

Whereas, the Commission by Decision No. 8818, dated April 1, 1921, authorized applicant to issue $651,000 of the $2,625,000 of bonds; and

Whereas, the Commission by Decision No. 8771, dated March 19, 1921, and by Decision No. 8818, dated April 1, 1921, authorized applicant, subject to the conditions mentioned in said decisions, to deposit the $2,375,000 (Decision No. 8771) and the $651,000 (Decision No. 8818) of bonds as collateral to secure the payment of loans; and

Whereas, applicant asks permission to issue and deposit with the Equitable Trust Company of New York additional first and refunding bonds in the amount of $724,000 and has filed with the Commission detailed statements of capital expenditures against which said bonds will be issued;

And the Commission being of the opinion that applicant's request should be granted; now, therefore,

It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to issue $724,000 of its first and refunding mortgage bonds and to deposit said bonds as collateral with The Equitable Trust Company of New York to secure the payment of a loan or loans; provided—

That applicant is given a loan or loans of at least $750 for every $1,000 bond deposited; and provided further—

That upon the payment of the notes or loans secured by the deposit of bonds herein authorized, said bonds be deposited with the trustee under applicant's unifying and refunding mortgage, if the execution of such mortgage is hereafter authorized by the Commission; and provided further—

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That applicant will use the moneys obtained through the deposit of the bonds to finance in part the expenditures reported in Exhibit "B" filed in this proceeding provided the expenditures so financed represent fixed capital as defined in the classification of accounts prescribed or adopted by this Commission; and provided further—

That the authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act; and provided further —

That applicant will file with the Commission reports as required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

It is hereby further ordered, that the order in Decision No. 8716, dated March 9, 1921, as amended, shall remain in full force and effect, except as modified by this third supplemental order.

Dated at San Francisco, California, this sixteenth day of May, 1921.

DECISION No. 8980.

IN THE MATTER OF THE OPERATION AND PRACTICES OF HUGH A. BOYLE, HUGH ALLEN BOYLE AND JAMES J. RYAN, COPARTNERS, OPERATING A FREIGHT AND EXPRESS SERVICE BETWEEN SEBASTOPOL, SANTA ROSA, COTATI, PETALUMA, NOVATO, AND RICHMOND, BERKELEY AND OAKLAND, IN CONTRA COSTA AND ALAMEDA COUNTIES.

Case No. 1501.

Decided May 16, 1921.

Sullivan, Sullivan and *T. J. Roche*, by *George D. Squires*, for Defendants.

E. H. Maggard, for Petaluma and Santa Rosa Railroad.

L. M. Bradshaw, for Southern Pacific Company.

J. J. Geary, for Northwestern Pacific Railroad Company.

BY THE COMMISSION.

OPINION.

This is a proceeding instituted on the Commission's own initiative to inquire into the operation and practices of Hugh A. Boyle, Hugh Allen Boyle and James J. Ryan, copartners, operating an automobile freight and express line between Sebastopol and Oakland and intermediate points under the authority conferred by Decision No. 8072 on Application No. 5778 as decided September 10, 1920, such decision particularly specifying that the certificate granted conveyed no authority for operation between Oakland and San Francisco.

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Information having been received by the Commission that the conditions of the order were being violated in that operation was being conducted with San Francisco as a terminal point, the investigation on the Commission's own initiative was instituted.

A public hearing was conducted by Examiner Handford at San Francisco on October 30, 1920, at which time the matter was duly submitted and is now ready for decision.

It appears from the evidence that on October 14, 1920, one of the Commission's inspectors found a truck operated by the applicants en route from Oakland to San Francisco via the creek route ferry of the Southern Pacific Company, such truck containing five coops of live poultry destined to poultry dealers in San Francisco. The driver of the truck also informed the Commission's inspector that he made similar trips practically every day.

A witness for defendants in charge of their operation testified that at the time the truck was observed between Oakland and San Francisco that such operation was not that of a common carrier as authorized by the Commission's Decision No. 8072 on Application No. 5778 in that operation under such certificate had not commenced and that there had been filed with the Commission an acceptance of the order as required by its provisions, said acceptance stating that operation would be commenced within thirty days from the date of acceptance. The records of the Commission indicate that the acceptance of the conditions of the order and the tariffs required by the order were filed indicating that operation was to be commenced on October 20, 1920.

In view of the foregoing, it is apparent that the operation conducted by defendants on October 14, 1920, the date that a truck belonging to defendants was observed en route from Oakland to San Francisco via the creek route ferry of the Southern Pacific Company, was not operation as a common carrier under the authority conferred by the Commission in its decision above referred to and that the above matter should be dismissed.

ORDER.

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted and the Commission being fully advised;

It is hereby ordered, that this matter be and the same hereby is dismissed.

Dated at San Francisco, California, this sixteenth day of May, 1921.

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DECISION NO. 8981.

IN THE MATTER OF THE APPLICATION OF WALKUP DRAYAGE AND WAREHOUSE COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF THE CAPITAL STOCK.

Application No. 6249.

Decided May 20, 1921.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8373, dated November 26, 1920, authorized Walkup Drayage and Warehouse Company to issue and sell at not less than par $50,000 of common stock, subject among others, to the condition that $29,548.20 of the proceeds be used to buy equipment, materials and supplies enumerated in Exhibit "A" filed in this proceeding and that the remainder of the proceeds be expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders; and

Whereas, applicant reports that it has $20,516.96 of the proceeds from the sale of its stock on hand and asks permission to expend said $20,516.96 for the purpose of paying for the following equipment:

1 Studebaker touring car (second-hand)	$2,100 00
1 MacDonald tractor	8,666 40
Hubometers and painting tractors	45 20
1 Johnson's first aid cabinet	14 25
1 Automatic weighing machine and sewing machine	800 00
1 MacDonald tractor	8,666 40
Installation of scale and parts	219 28
Sundries	5 43
Total	$20,516 96

And the Commission being of the opinion that applicant's request should be granted; now, therefore,

It is hereby ordered, that Walkup Drayage and Warehouse Company be and it is hereby granted authority to use $20,516.96 of the proceeds obtained from the sale of the stock, the issue of which was authorized by the Commission in Decision No. 8373, dated November 26, 1920, to pay for the equipment and properties mentioned in the second paragraph of this order.

It is hereby further ordered, that the order in Decision No. 8373, dated November 26, 1920, as amended, shall remain in full force and effect, except as modified by this second supplemental order.

Dated at San Francisco, California, this twentieth day of May, 1921.

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DECISION No. 8985.

IN THE MATTER OF THE APPLICATION OF FRED MILLER FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE FREIGHT, EXPRESS AND BAGGAGE SERVICE BETWEEN BRAWLEY AND WESTMORELAND.

Application No. 6486.

IN THE MATTER OF THE APPLICATION OF C. A. WARE OF WESTMORELAND, CALIFORNIA, FOR PERMISSION TO OPERATE A FREIGHT AND EXPRESS AUTO TRUCK LINE BETWEEN WESTMORELAND AND BRAWLEY.

Application No. 6533.

Decided May 21, 1921.

AUTO STAGE LINES—CERTIFICATES.—**An individual who has purchased and is operating an auto stage line without having first secured a permit authorizing such operation, will be granted a certificate upon a showing that operation in violation of the law was unintentional and the applicant took immediate steps to comply with all provisions thereof as soon as possible.**

H. W. Kidd and *Rex Hardy*, for Applicant Fred Miller.

James L. Allen, for Applicant C. A. Ware.

BY THE COMMISSION.

OPINION.

Each of the above named applicants applies for authority to operate automotive freight truck lines between Brawley and Westmoreland in Imperial County, a distance of about twelve miles over dirt road.

A public hearing upon both applications was held by Examiner Westover at El Centro, May 10, 1921, at which, upon stipulation of counsel both were consolidated for hearing and decision. Counsel for the Southern Pacific Company and for the American Railway Express Company were present, but stated that they did not care to enter an appearance in the matter.

It appears from the undisputed testimony that applicant C. A. Ware, purchased from A. W. Dwinell in August, 1920, his ice and general trucking business in Westmoreland, including two one-ton trucks and some real estate, for the total sum of $5400. In connection with the trucking business, it appears that Mr. Dwinell had been operating a freight line between Brawley and Westmoreland without authority. Mr. Ware continued the operation, also without authority, and since last August has been operating one round trip daily upon morning schedules, which the testimony shows are the most convenient and suitable hours for the accommodation of shippers. He operates the only direct service between the two points; the only other service being the rail service of the Southern Pacific Company's line via Calipatria, a distance of about twenty-five miles. All of the testimony indicates that he has been giving

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good service. The freight movement amounts to about 1600 pounds per day, principally west bound, the shipments being quite uniform in amount.

Mr. Ware's application recites that at the time of purchasing the property he was unaware of the legal requirements of procuring authority from the Commission; confesses the operation of the line since August, 1920, and alleges that it was not done with knowledge of or intent to violate any law or ruling of the Commission; and that he is ready to answer to any infraction of the law occasioned by such operation. His testimony as to this feature of the application is to the effect that when the opportunity to purchase the business arose, he considered the investment favorably and accepted the proposition, paid his money, and began operating the line in connection with the ice and trucking business in total ignorance of the existence of the law requiring him to first procure authority from the Commission. His first knowledge of the illegality of his operation was acquired in January or February, 1921, when he learned, through the local paper, that Fred Miller had applied to the Commission for authority to operate between Brawley and Westmoreland. He promptly sought legal advice, with the result that his above Application No. 6533 was filed in the Commission's San Francisco office on February 7, 1921.

Mr. Miller's above Application No. 6486 was filed in the Commission's San Francisco office three weeks earlier, namely, January 14, 1921. It applies for authority to operate between the same points a three-quarter-ton truck, "three trips weekly." At the close of the testimony, Mr. Miller's counsel was granted leave to amend his schedule to provide for a daily service, except Sundays and holidays, specifying the hours of arrival and departure at each terminal; and to file an amended proposed tariff.

The schedules offered by the two applicants are very similar and apparently about equally convenient. Mr. Ware operates two one-ton trucks, and Mr. Miller proposes to operate one three-quarter-ton truck. It appears that each can add additional equipment as required. Mr. Ware's proposed rates are "25 cents per hundredweight on all freight; 35 cents per hundredweight on all express and perishable merchandise." Mr. Miller's proposed rates are 25 cents per hundredweight on all commodities except household furniture and ice in quantities of two tons or less; ice, two tons or more, 15 cents per hundredweight; household furniture, 50 cents per hundredweight. No testimony was presented by either party tending to show how the communities in question will be affected by these rates, nor the quantities of either class now moving. The principal commodities westbound are grain, feed, flour, general merchandise, fruit, foodstuffs, and hardware; eastbound, the principal shipments

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are perishable lettuce and cantaloupes during their respective seasons. It is apparent from the testimony that there is not sufficient business to require the service of two lines.

There was no testimony tending to question the good faith of Mr. Ware in beginning the operation of the line, nor his ignorance of the legal requirements; nor the satisfactory character of the service which he has been rendering to the public. It appears from the testimony that he had been rendering good service in handling a considerable and steady volume of business for about five months before Mr. Miller filed his application, and that he used a reasonable degree of diligence in seeking legal advice and acting upon it by filing his application about three weeks after the Miller application was filed. In his verified application he specifically called the attention of the Commission to the illegal character of his operations and expressed his readiness to answer therefor in such manner as the Commission "may see fit to impose." His attorney, in transmitting the application, requested an early hearing. The Commission's clerical force, noting from the application that the line had been purchased from another, not mentioned, returned the application, suggesting that a joint application for authority to transfer operative rights be filed, but was promptly advised by applicant's counsel that the one formerly operating the line had left the community and his whereabouts were not known; that Mr. Ware advised that he thought the man did not have a certificate, but as to that he was not positive, and suggested that the Commission's records be examined on this point. Although several letters were exchanged, no suggestion was made to this applicant or his counsel that his confessedly illegal operation should be discontinued pending the hearing.

The application of Mr. Miller named as the carriers now operating between the points in question only the Southern Pacific Company and the American Railway Express Company. Neither the application nor correspondence with the Commission referred to Mr. Ware's operation, nor requested that it should be stopped. The first application to the Commission to stop the alleged illegal operation came at the close of the testimony when Mr Miller's counsel requested Examiner Westover to order that applicant C. A. Ware, cease operation pending the decision of the Commission. As applicant Fred Miller had not previously advised the Commission of the situation, although he was in a position to know of it for several months, and as the Commission had not taken action upon the filing of the Ware application expressly calling attention to the illegal character of his operation, Examiner Westover properly declined to make such order at the hearing in El Centro on May 10, 1921, considering that, under the particular circumstances of the case, the probable interruption in the public service was not required, in view of the fact that all of the circumstances would be laid before the Commission upon his return to San Francisco a few days later.

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Counsel for applicant Miller cited Decision No. 8924 of May 3, 1921, upon Application No. 6582 of L. A. Jones and Robert Kaltenborn, a matter heard by Examiner Westover and in which he prepared the opinion, in which authority to operate was denied largely because of wilful violation of the law. In the decision referred to, the applicants applied for authority to operate between San Bernardino and Colton on the one hand, and Mecca on the other hand, serving as intermediate points five towns between Banning and Mecca—a territory served by the authorized operation of the Coachella Valley Truck Line (except as to serving San Bernardino, concerning which the Coachella Line had an application before the Commission under submission at that time). One of the applicants, L. A. Jones, had begun the operation "without authority and without knowledge, he claimed, that the law required previous authority for such operation, but that the Commission advised him of the provisions of the law and notified him about December 1, 1920, to quit operating; yet he continued, nevertheless, in defiance of the law and of the Commission's order until about the time this application was filed on February 21, 1921." The only justification he offered was that after being ordered by the Commission's inspector to quit, he had been advised by some other truck man that he had a right to operate. The opinion closes with the following language, to which we call the attention of stage and truck operators:

> Those interested in the matter will always find it far safer to follow the advice of the Commission, which is engaged in interpreting and applying the law, rather than that of truck drivers or others who may have ulterior motives or interested reasons for giving erroneous advice. Willful violation of the law is sufficient to show unfitness of such person for operating "transportation companies" or public utilities, although the Commission has in proper instances granted authority where operation had been continued only in good faith without knowledge of the requirement of the law. As the statute in question has been in operation nearly four years, it is but fair to assume that everyone interested in the subject matter has knowledge of its existence, and the maxim "ignorance of the law excuses no one" should be applied.

Under the peculiar circumstances presented by the record in the above matters, including the straightforward disclosure of the illegal character of his operation made by Mr. Ware in his application, the fact that he had not been ordered to cease such operation, and the fact that he has served the public faithfully and well and that the public interest would not be better served in this particular instance by a change in operators and equipment, we are not inclined to impose as a punitive measure, a denial of his application to legalize his illegal operation, even though such operation was continued pending the order of the Commission after he learned of its illegal character, and advised the Commission of the circumstances.

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ORDER.

A public hearing having been held in the above entitled matters, they being submitted and ready for decision,

The Railroad Commission hereby declares that public convenience and necessity require the operation by C. A. Ware of an auto truck line between Brawley and Westmoreland, Imperial County, but do not require the operation of such service by Fred Miller.

The operative rights and privileges hereby established may not be transferred, leased, sold nor assigned, nor the said service abandoned unless the written consent of the Railroad Commission thereto has first been procured.

No vehicle may be operated in said service unless said vehicle is owned by the applicant herein or is leased by said applicant under a contract or agreement satisfactory to the Railroad Commission.

It is hereby ordered, that applicant shall within twenty (20) days from the date hereof file with the Railroad Commission his schedule and tariffs covering said proposed service, which shall be in addition to proposed schedule and tariff accompanying the application, and shall set forth the date upon which the operation of the lines hereby authorized will commence, which date shall be within ninety (90) days from date hereof, unless time to begin operation is extended by formal supplemental order.

The authority herein contained shall not become effective until and unless the above mentioned schedules and tariffs are filed within the time herein limited.

It is hereby further ordered, that the above described application of Fred Miller be and it is hereby dismissed.

Dated at San Francisco, California, this twenty-first day of May, 1921.

DECISION NO. 8989.

IN THE MATTER OF THE APPLICATION OF CITY TRANSFER AND STORAGE COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING SALE OF SHARES OF CAPITAL STOCK.

Application No. 6650.

Decided May 21, 1921.

Daly and Daly, by *James H. Daly,* for Applicant.

LOVELAND, *Commissioner.*

OPINION.

City Transfer and Storage Company asks permission to issue and sell 288 shares ($28,800) of its common capital stock and to use the proceeds for the purpose of paying, in part, its outstanding equipment notes, and notes and accounts payable and for additional equipment.

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The company conducts a warehouse business, local transfer and baggage business within the city of Long Beach, California, and an auto transportation business between the cities of Long Beach and Los Angeles. By Decision No. 7571, dated May 13, 1920, it was authorized to purchase the properties of City Transfer Van and Storage Company and to issue on or before November 15, 1920, all of its authorized capital stock of $100,000, of which $60,000 was to be exchanged for properties, and $40,000 to be sold at not less than $90 per share to pay outstanding indebtedness.

Pursuant to such authority, applicant reports that it has issued $60,000 of stock in exchange for the properties of City Transfer Van and Storage Company and has sold, prior to the termination of the Commission's order on November 15, 1920, $11,200 of stock, for the purpose of paying outstanding indebtedness. The company now asks permission to issue and sell the remaining capital stock of $28,800.

As of April 30, 1921, applicant reports indebtedness incurred in the acquisition and purchase of properties and equipment of $4,286.39 of equipment notes, $36,700 of notes payable and $7,839.30 of accounts payable, which it is proposed to pay in part by the proceeds from the issue and sale of stock. It further reports that it is necessary to acquire additional equipment to properly conduct its business, but it is not in a position at this time to advise the Commission definitely of any proposed purchases of equipment.

Mr. J. H. Meldrim, applicant's president, testified that in his opinion it would be necessary for applicant to pay a commission of 15 per cent in order to dispose of its stock. His testimony shows that the company will not pay a larger commission than absolutely necessary.

The company reports its assets and liabilities on April 30, 1921, as follows:

Assets.

Real estate	$30,750 00
Buildings	30,230 00
Auto trucks	41,923 65
Horses and wagons	520 00
Miscellaneous equipment	4,696 77
Furniture and fixtures	4,111 94
Packing material	258 46
Accounts receivable	8,622 97
Notes receivable	12 45
Stores	873 32
Cash	2,615 15
Deferred charges	2,372 98
Prepaid expense—rent	306 00
Total assets	$127,293 69

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Liabilities.

Equipment notes	$4,286 39
Notes payable—National Bank of Long Beach	14,300 00
Notes payable—Long Beach Savings Bank and Trust Company	17,500 00
Notes payable—California National Bank	3,200 00
Notes payable—C. F. Van de Water Company	1,700 00
Accounts payable	7,839 30
Wages payable	1,214 25
Due internal revenue collector	181 27
Interest accrued	337 50
Reserved for depreciation	3,200 00
Capital stock	71,200 00
Christenson Auto Supply Company	440 00
Surplus	1,894 98
Total liabilities	$127,285 69

I herewith submit the following form of order:

ORDER.

City Transfer and Storage Company having applied to the Railroad Commission for permission to issue and sell stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue and sale of the stock herein authorized, is reasonably required for the purpose or purposes specified herein, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that City Transfer and Storage Company be and it is hereby authorized to issue and sell on or before May 1, 1922, for cash at not less than 85 per cent of its par value $28,800 (288 shares) of its common capital stock.

The authority herein granted is subject to further conditions as follows:

(1) Applicant may use the proceeds from the sale of stock herein authorized to be issued to pay in part its outstanding indebtedness referred to in the preceding opinion or may use such portion of the proceeds as the Commission may hereafter authorize to acquire additional equipment.

(2) Applicant shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of May, 1921.

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DECISION NO. 8990.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AUTHORITY TO RENEW A CERTAIN NOTE.

Application No. 6694.

Decided May 21, 1921.

A. E. Peat, for Applicant.

BRUNDIGE, *Commissioner*.

ORDER.

San Joaquin Light and Power Corporation having applied to the Railroad Commission for permission to issue for a term of one year, or less, a promissory note in the principal sum of $250,000, bearing interest at 7 per cent per annum, for the purpose of refunding a 6½ per cent note of like amount payable to Wells-Fargo-Nevada National Bank that matured on April 4, 1921, and a public hearing having been held, and it appearing to the Railroad Commission that the money to be procured by such issue is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to issue to the Wells-Fargo-Nevada National Bank at not less than the face value thereof its promissory note for the principal sum of $250,000 for a term not exceeding one year for the purpose of paying or refunding the note to which reference is made in this application.

The authority herein granted is subject to further conditions as follows:

(1) The note herein authorized to be issued shall bear interest at not exceeding 7 per cent per annum.

(2) Applicant may, if it so desires, issue the note herein authorized for a term of less than one year and renew such note from time to time, provided that the combined terms of the note herein authorized and of those issued in renewal thereof shall not exceed one year from the date of this order.

(3) The authority herein granted shall not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

(4) San Joaquin Light and Power Corporation shall keep such record of the issue of the note herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far applicable, is made a part of this order.

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The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of May, 1921.

DECISION NO. 8991.

IN THE MATTER OF THE APPLICATION OF SIERRA VALLEY WATER COMPANY, A CORPORATION, FOR PERMISSION TO ISSUE SHARES OF ITS CAPITAL STOCK REPRESENTED BY STOCK CERTIFICATES

Application No. 6260.

Decided May 21, 1921.

STOCK ISSUES—PENDING LITIGATION—PROTECTION OF INVESTORS.—When the water rights of a public utility water company are in litigation it is required, when applying for permission to issue and sell stock, to have all purchasers of stock sign a waiver to the effect that they are aware of the pending litigation and are willing to abide by the result thereof. Applicant authorized to issue $25,000 face value of its common capital stock to be sold at not less than par, the proceeds thereof to be used partly to reimburse treasury covering capital expenditures heretofore made and for future development work as authorized under supplemental orders.

Frank R. Wehe and *C. S. Morvio*, for Applicant.

BY THE COMMISSION.

OPINION.

Sierra Valley Water Company, a corporation, seeks authority to issue all of its capital stock of $25,000 at par.

A public hearing upon the application was held by Examiner Westover at San Francisco.

It appears from the testimony that the promoters of applicant acquired in 1911 possession of an old ditch and diversion works, constructed about 1854, for the purpose of diverting water from Little Truckee River, and since that time they and applicant have conducted such water through said ditch and natural water courses for the purpose of irrigating lands in the Sierra Valley, located in Sierra and Plumas counties. It appears that no charge has been made for the water used by the farmers of Sierra Valley. The promoters of the enterprise have advanced considerable sums of money for acquiring and improving the property and now propose to make additional improvements and properly establish the company's business.

Owing to the fact that the right of applicant to divert 3000 miner's inches of the water of Little Truckee River is questioned in litigation now pending in Sierra County, which may affect the value of applicant's stock, it has caused to be prepared a document, introduced in evidence as applicant's Exhibit No. 2, designated a consent and waiver, in which the subscribers for stock apply for and agree to accept certificate

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or certificates representing stock with full notice of the pendency of said litigation, and to abide by the result thereof. This document has been signed by prospective holders of 1650 shares of the total authorized capital of 25,000 shares of the par value of $1 each, and it is suggested by applicant's attorney that the Commission's order may require subscribers to sign the consent and waiver before certificates are issued and that certificates may contain a brief recital that certificates are issued subject to the terms of the document to which reference may be made therein. This course will be followed for the protection of the investing public. It is anticipated that practically all of the stock will be sold to residents of Sierra Valley, a large part of whom it is anticipated will be patrons of applicant.

The amount expended by applicant or its incorporators from 1911 to 1920, both years inclusive, in acquiring and improving applicant's properties and in acquiring right of way for its ditches, is reported at $6,695.21. This amount applicant reports was expended for the following purposes:

Land	$400 90
Wages and team hire	2,876 50
Supplies	1,414 17
Surveying and maps	657 40
Organization expenses	55 80
Attorneys' fees	550 00
Taxes	226 21
Interest	514 23
Total	$6,695 21

Applicant reports that it has been conducting negotiations for the purpose of acquiring Webber Lake, Sierra County, and that if it is able to acquire said lake, it will dam its outlet and create a storage reservoir. Applicant is unable at this time to advise the Commission at what price it may be able to acquire the lake. The cost of the proposed dam is reported at $10,000. Applicant further reports that the height of the dam will be about 23 feet and that it will at a height of 20 feet store 9367 acre feet of water, which will be sufficient to enable the company to serve all water users in the territory throughout which it intends to operate.

Applicant reports that it has subscribers for 2200 shares of its stock. It asks permission to use the proceeds from the sale of its stock to reimburse its incorporators for all advances made to acquire, construct and protect its properties and rights, to pay the cost of the suit now pending and the cost of acquiring and completing its Webber Lake project. Applicant has not filed with the Commission sufficient information covering all of its expenditures. The order herein will permit the

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expenditure of $6,695.21 of the proceeds to reimburse applicant's incorporators and provide that the remainder of the proceeds may be expended only for such purposes as the Railroad Commission may hereafter authorize. Applicant should at once prepare and file with the Commission a detailed statement showing the purposes for which it intends to expend the remaining proceeds.

ORDER.

Sierra Valley Water Company having applied to the Railroad Commission for permission to issue and sell $25,000 of common stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant;

It is hereby ordered, that Sierra Valley Water Company be, and it is hereby authorized to issue and sell, for cash, at not less than par, $25,000 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. Before any stock certificate is issued and delivered, the purchaser shall sign a document similar to that submitted in evidence as applicant's Exhibit No. 2, and the certificate or certificates shall bear upon their face a brief statement to the effect that it is accepted by the holder with notice of litigation pending or threatened, as set forth in applicant's Exhibit No. 2, such statement to appear on each certificate issued or reissued or transferred during the pendency of the litigation affecting the value of applicant's water rights.

2. Of the proceeds realized from the sale of its stock, applicant may use $6,695.21 to reimburse its incorporators for all advances made to acquire, construct and protect the properties and rights referred to in this application. The remainder of the proceeds may be expended only for such purposes as the Railroad Commission may hereafter authorize by supplemental order or orders.

3. Sierra Valley Water Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order. General Order No. 24 reports required to be filed by applicant shall be supplemented with a statement showing the address of each stock purchaser.

4. The authority herein granted will apply only to such stock as may be issued, sold and delivered on or before October 1, 1921.

Dated at San Francisco, California, this twenty-first day of May, 1921.

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DECISION NO. 8997.

IN THE MATTER OF THE APPLICATION OF THE PICKWICK STAGES, NORTHERN DIVISION, INCORPORATED, FOR AN ORDER AUTHORIZING THE ISSUE OF THIRTY THOUSAND DOLLARS IN EQUIPMENT TRUST CERTIFICATES AND THIRTY THOUSAND DOLLARS IN COMMON CAPITAL STOCK.

Application No. 6580.

Decided May 21, 1921.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8934, dated May 6, 1921, authorized Pickwick Stages, Northern Division, Incorporated, to issue and sell $30,000 face value of 8 per cent serial equipment trust certificates, subject among other things to the condition that none of the certificates be delivered until the Commission by supplemental order has authorized the execution of an agreement securing the payment of the certificates; and

Whereas, applicant has filed in this proceeding a copy of its proposed agreement securing the payment of the certificates and has asked permission to execute an agreement in substantially the same form as that filed in this proceeding;

And the Commission being of the opinion that applicant's proposed agreement is in satisfactory form and that its request should be granted, subject to the conditions of this order; now, therefore

It is hereby ordered, that Pickwick Stages, Northern Division, Incorporated, be and it is hereby authorized to execute an agreement securing the payment of $30,000 face value of 8 per cent serial equipment trust certificates, said agreement to be substantially in the same form as that filed in this proceeding on May 16, 1921;

Provided, that the authority herein granted to execute an agreement securing the payment of equipment trust certificates is for the purpose of this proceeding only, and is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said agreement as to such other legal requirements to which said agreement may be subject.

It is hereby further ordered, that the order in Decision No. 8934, dated May 6, 1921, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-first day of May, 1921.

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DECISION No. 8998.

IN THE MATTER OF THE APPLICATION OF THE WESTERN PACIFIC RAILROAD COMPANY, OF FRANKLIN V. SPOONER, ROBERT R. PARDOW, AND JOHN C. RUED, AND OF HENRY E. COOPER, A. M. HUNT, JAMES D. PHELAN, GEORGE WHITTELL, DAVID R. FORGAN, I. DEBRUYN, C. LEDYARD BLAIR, FREDERICK H. ECKER, STARR J. MURPHY, ROBERT W. MARTIN, WILLIAM SALOMON AND RICHARD B. YOUNG, AS THE REORGANIZATION COMMITTEE CONSTITUTED BY THE PLAN AND AGREEMENT OF REORGANIZATION OF WESTERN PACIFIC RAILWAY COMPANY, FOR AUTHORIZATION OF PROCEEDINGS PURSUANT TO SAID PLAN AND AGREEMENT OF REORGANIZATION.

Application No. 2351.

Decided May 21, 1921.

BY THE COMMISSION.

FIFTH SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by its order in Decision No. 3505, dated July 12, 1916 (Vol. 10, Opinions and Orders of the Railroad Commission of California, page 563) authorized the Western Pacific Railroad Company, among other things, to issue $20,000,000 face value of bonds and use the proceeds from the sale of the bonds for the following purposes:

(1) To pay the distributive shares of non-assenting bondholders, underwriting commission, expenses of foreclosure and reorganization, including court costs, compensation and allowances of the receivers and their counsel, the mortgage trustee and its counsel, taxes on the creation and issue of new securities, compensation and expenses of the protective and reorganization committees, their depositaries and counsel, fees of engineering, accounting and other experts, engraving, printing and miscellaneous requirements, not to exceed the sum of $2,000,000.

(2) When detailed statements of the purposes for which the following expenditures are to be incurred shall have been filed by the Western Pacific Railroad Company, the proceeds from the sale of said bonds may be used, in general, for the following purposes:

(a) For betterments to the existing property of Western Pacific Railway Company, not to exceed the sum of $2,597,750.

(b) For the acquisition of new passenger and freight equipment, not to exceed the sum of $3,514,000.

(c) For the acquisition by purchase, construction or otherwise of extensions and feeders, including payment of interest during construction, the acquisition of additional new property, the payment of receivers' car trust obligations, the provision of working capital for The Western Pacific Railroad Company, and the possible protection of claims against The Denver and Rio Grande Railroad Company, not to exceed the sum of $10,506,250.

And

Whereas, the Commission by Decision No. 4488, dated November 27, 1917, modified its order of July 12, 1916, so as to permit The Western Pacific Railroad Company to expend for the purchase of 1500 box cars and 400 gondola cars $2,500,000, said $2,500,000 being in addition to the $3,514,000 appropriated by the order of July 12, 1916, to purchase equipment; and

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Whereas, applicant in a supplemental petition, filed on April 26 in the above entitled matter, reports that it has not applied or used any of the $2,500,000 to acquire the 1500 box cars and 400 gondola cars, but that it has purchased other equipment for use in the operation of its railroad consisting of 700 general service freight cars, gondola type, at an approximate cost of $1,864,884, of which amount it has paid from its free funds $937,575,06; that it has also purchased five (5) locomotives at an approximate cost of $353,135.75, making a total expenditure of $2,218,019.75, and that it has now available and on deposit a total of $10,080,925.28 of the funds mentioned in the Commission's order of July 12, 1916; and

Whereas, applicant in a supplemental petition filed April 26, 1921 in the above entitled matter asks the Commission to consolidate the funds referred to in its order of July 12, 1916, under a single heading and permit applicant to use—

> All or any part of the funds referred to in the first supplemental order for the betterment, improvement and equipment of any line of railroad, terminal facilities or other property of the applicant, or of a subsidiary company of the applicant, or for the construction or acquisition of extensions to or additional lines of the applicant, or of a subsidiary company thereof, including branch lines and feeders, for the acquisition of shares of stock or bonds or other obligations of a subsidiary company, and the payment, redemption or acquisition of the bonds or other obligations or indebtedness secured by lien or charge on any property on account of which bonds or the proceeds thereof have been applied under the first mortgage of the applicant; for interest during construction as authorized by said mortgage, and for the reimbursement of the applicant for moneys expended by it since the date of the first supplemental order for any of the purposes above mentioned.

And

Whereas, the Commission has considered applicant's request and is of the opinion that the Commission's order of July 12, 1916, as amended, should be modified only to the extent herein indicated and that applicant should file with the Commission a statement or statements of its proposed or actual expenditures which it desires to pay or refund by using proceeds from the sale of the bonds referred to in said order of July 12, 1916, as amended, and that said proceeds should be used as the Railroad Commission may in this supplemental order or subsequent supplemental orders, authorize; now, therefore

It is hereby ordered, that the order in Decision No. 3505, dated July 12, 1916, as amended, be and it is hereby modified so as to permit The Western Pacific Railroad Company to consolidate the funds referred to in said order under a single heading or fund and to use not exceeding $2,218,019.75 of the moneys in said fund to pay for the cars and locomotives referred to in applicant's supplemental petition filed April 26, 1921, in the above entitled matter, or to reimburse its treasury on account of having used income to pay for said cars and locomotives, or to refund indebtedness incurred for the purpose of paying for said cars and locomotives.

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It is hereby further ordered, that the order in Decision No. 3505, dated July 12, 1916, as amended, shall remain in full force and effect, except as modified by this fifth supplemental order.

Dated at San Francisco, California, this twenty-first day of May, 1921.

DECISION NO. 8999.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING IT TO ISSUE, SELL AND DELIVER FIFTY THOUSAND SHARES OF COMMON CAPITAL STOCK OF THE PAR VALUE OF ONE HUNDRED THOUSAND DOLLARS.

Application No. 5312.

Decided May 21, 1921.

BY THE COMMISSION.

SIXTH SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission has heretofore made its orders in Application No. 2743, No. 4790 and in the above entitled matter in Application No. 5312, authorizing Southern California Edison Company to issue and sell common stock; and

Whereas, the Railroad Commission by its order in Decision No. 8579 dated January 24, 1921, in Application No. 6426, authorized Southern California Edison Company to issue, and sell at not less than $90 per share, $10,000,000 of its common stock and use of the proceeds not exceeding $6,099,260.69 to finance in part the cost of plant extensions, additions and betterments referred to in Exhibits "3" and "4" in Application No. 6425, or for such other purposes as the Railroad Commission may authorize in a supplemental order or orders; and

Whereas, applicant in a supplemental petition, filed January 27, 1921, in the above entitled matter, asks permission to use the proceeds obtained from the sale of stock under authorization of orders made in Applications No. 2743, No. 4790 and in the above entitled matter, Application No. 5312, for the purpose specified in Decision No. 8579, dated January 24, 1921, and the Commission being of the opinion that applicant's request should be granted, subject to the conditions of this order; now, therefore

It is hereby ordered, that Southern California Edison Company be and it is hereby authorized to place the proceeds derived from the sales of stock under authorizations of orders made in Applications No. 2743, No. 4790 and in the above entitled matter, Application No. 5312, in the same fund with proceeds derived from the sale of stock under Decision

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No. 8579, dated January 24, 1921, and expend not exceeding $6,099,260.69 of the moneys paid in to said fund for the purpose of financing in part the cost of the plant extensions, additions and betterments referred to in Exhibits "3" and "4" in Application No. 6425, or for such other purposes as the Railroad Commission may authorize in a supplemental order or orders.

It is hereby further ordered, that the orders heretofore made in Applications No. 2743, No. 4790 and in the above entitled matter, Application No. 5312, as amended, and the order in Application No. 6426 shall remain in full force and effect, except as modified by this sixth supplemental order.

Dated at San Francisco, California, this twenty-first day of May, 1921.

DECISION No. 9002.

IN THE MATTER OF THE APPLICATION OF SOUTH FEATHER LAND AND WATER COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN RATES AND CHARGES FOR WATER FURNISHED AND SERVICE RENDERED BY IT, IN THE COUNTIES OF BUTTE AND YUBA.

Application No. 5283.

WYANDOTTE WATER USERS' ASSOCIATION

vs.

SOUTH FEATHER LAND AND WATER COMPANY

Case No. 1403.

Decided May 23, 1921.

W. E. Duncan, Jr., for Wyandotte Water Users' Association and Protestant.
C. F. Metteer, for South Feather Land and Water Company.

BY THE COMMISSION.

SUPPLEMENTAL OPINION ON FURTHER HEARING.

This Commission rendered its decision in the above entitled proceedings on December 24, 1920 (Decision No. 8492) wherein was established a rate schedule for the delivery of water for irrigation purposes, which rates and charges became effective for the irrigation season of 1921. Subsequent thereto the consumers of the utility filed a protest against the rates established in said decision and requested permission to submit further data which were not presented at the time of the hearing in the above mentioned proceedings. Accordingly a further hearing was held at Oroville on May 10 and 11, 1921.

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The evidence shows that certain consumers have not paid to the utility their second installment of the charges for 1920, contending that the amount charged should be reduced by reason of the partial and incomplete deliveries of water made to them during the late summer months when it was necessary for the utility to pro-rate deliveries on the system because of the water shortage. Further, the consumers have not at this date made their applications for deliveries of water for the year 1921, nor made their payments for the first installment of the charges therefor, which are now due and payable, as provided by the rules and regulations.

It is evident that the above conditions have deprived the utility of funds necessary to meet its obligations, the most important of which is to prepare for the approaching irrigation season. Wherefore, in order to afford the immediate relief which is required in this emergency, the following order is issued which will enable applicant to render proper irrigation service for the present season.

As to the uncollected charges for the season of 1920, we urge that the utility and the consumers make an earnest endeavor to arrive at an amicable adjustment of their differences.

A further supplemental order in these proceedings will be rendered by the Commission finally establishing the rates and charges for irrigation service on applicant's system and providing for any adjustments which may appear necessary in these matters.

SUPPLEMENTAL ORDER.

This Commission having reopened for further hearing the matters as entitled above and further evidence having been introduced;

It is hereby ordered, that pending a final decision in these matters the South Feather Land and Water Company proceed to collect the first installment of the rate, namely, one-half of the annual charge of $60 per miner's inch per season as established by the Commission's Decision No. 8492, rendered December 24, 1920; that the effective date for the payment of the first semi-annual installment of such regularly established charge is hereby extended to and including June 14, 1921, and no penalty shall be imposed, as provided in the rules and regulations of the company, for any deferred payment between the dates April 15, 1921, and June 15, 1921.

It is hereby further ordered, that within twenty (20) days of the date of this order South Feather Land and Water Company prepare and file with this Commission a statement setting forth in detail the amounts of the various water bills in dispute and the adjustments made.

Dated at San Francisco, California, this twenty-third day of May, 1921.

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DECISION No. 9003.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES PUBLIC SERVICE CORPORATION FOR AUTHORITY TO RENEW CERTAIN NOTES.

Application No. 6778.

Decided May 23, 1921.

A. E. Peat, for Applicant.

BRUNDIGE, *Commissioner.*

OPINION.

Midland Counties Public Service Corporation asks permission to issue promissory notes in the aggregate amount of $238,600 for the purpose of refunding the following outstanding notes:

Payee	Amount	Rate, per cent	Date due
San Joaquin Light and Power Corporation	$20,000	7	May 2, 1921
San Joaquin Light and Power Corporation	50,000	7	May 2, 1921
First National Bank of Santa Maria	2,500	7	May 2, 1921
Union National Bank of San Luis Obispo	6,000	7	May 8, 1921
First National Bank of Fresno	2,500	6½	May 19, 1921
Wells Fargo Nevada National Bank	37,500	6½	May 20, 1921
Wells Fargo Nevada National Bank	37,500	6½	May 20, 1921
Union National Bank of Fresno	11,500	7	May 25, 1921
San Joaquin Light and Power Corporation	50,000	7	July 15, 1921
First National Bank of Dinuba	3,000	7	July 26, 1921
San Joaquin Light and Power Corporation	5,600	7	July 25, 1921
First National Bank of Coalinga	7,500	7½	July 30, 1921
First National Bank of Paso Robles	5,000	8	Aug. 2, 1921
Total	$238,600		

The record shows that $95,000 of the notes to be renewed were issued pursuant to authority granted by the Railroad Commission in Decision No. 7643, dated May 27, 1920, and that the issue of the remaining notes, amounting to $143,600, and representing indebtedness incurred for a period of less than one year, have not heretofore been authorized by the Commission.

Mr. A. E. Peat, applicant's treasurer, testified that the moneys obtained through the original issue of the notes to be refunded were used to acquire property and to construct, extend and improve its facilities and service.

The company asks permission to issue the notes for such terms as it deems advisable and to renew them from time to time, provided that the combined terms of such renewals, respectively, shall not exceed one year from the sale of the first renewal.

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I herewith submit the following form of order:

ORDER.

Midland Counties Public Service Corporation having applied to the Railroad Commission for permission to issue notes, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Midland Counties Public Service Corporation be and it is hereby authorized to issue, at not less than the face value thereof, its promissory notes in the aggregate amount of $238,600 for terms not exceeding one year each for the purpose of refunding the promissory notes referred to in the preceding opinion.

The authority herein granted is subject to the following conditions:

1. The notes herein authorized shall be issued to the same payees, in the same amounts as the notes they are given to renew, and shall bear interest at not exceeding 7 per cent per annum, except that any notes, herein authorized, that may be issued to renew outstanding notes now bearing interest exceeding 7 per cent per annum, may bear interest at a rate not exceeding that of the notes they are given to renew.

2. Applicant may, if it so desires, issue the notes herein authorized for a period of less than one year and renew said notes from time to time, provided that the combined terms of the notes herein authorized and those issued in renewal thereof shall not exceed one year.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

4. Applicant shall keep such record of the issue of the notes herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-third day of May, 1921.

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DECISION NO. 9004.

IN THE MATTER OF THE APPLICATION OF BAY POINT LIGHT AND POWER COMPANY FOR AUTHORITY TO CHARGE INCREASED RATES FOR ELECTRICITY.

Application No. 5889.

Decided May 23, 1921.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas this Commission, on the twenty-third day of August, 1920, issued its Decision No. 7987 authorizing Bay Point Light and Power Company to charge and collect in addition to its established rates for electric service a surcharge of 15 per cent on all bills based on meter readings taken on and after August 24, 1920 and before May 24, 1921, unless otherwise ordered; and

Whereas, Bay Point Light and Power Company has filed its supplemental application requesting authority to continue to charge and collect, after May 24, 1921 and until otherwise ordered, the rates and surcharges authorized in said Decision No. 7987, or such other rates or charges as the Commission may hereafter authorize Great Western Power Company to charge and collect for similar service in the same territory; and

Whereas, Bay Point Light and Power Company purchases its entire supply of electric energy from Great Western Power Company and has heretofore paid for such electric energy at the schedule rates of Great Western Power Company and in addition thereto a surcharge of 15 per cent, but effective April 10, 1921, said surcharge of 15 per cent permitted to be collected by Great Western Power Company has been reduced to 10 per cent by order of this Commission, thereby correspondingly reducing the cost to Bay Point Light and Power Company of electric energy purchased; and

Whereas, this Commission is convinced of the propriety of a similar reduction in the rates to be charged and collected by Bay Point Light and Power Company for electric service supplied to its consumers; and

Whereas, this order will result in a reduction of rates and, in the opinion of the Commission a public hearing is not necessary; therefore

It is hereby ordered, that pending further order of this Commission, Bay Point Light and Power Company be and it is authorized to charge and collect in addition to its published rates and charges for electric service, and in lieu of the present surcharge of 15 per cent, a surcharge of 10 per cent on all bills for metered service based on meter readings taken on and after May 24, 1921.

Dated at San Francisco, California, this twenty-third day of May, 1921.

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DECISION NO. 9005.

IN THE MATTER OF THE APPLICATION OF EMORY E. KNIPE AND WALTER C. CLARK FOR PERMISSION TO RAISE THE PRICE OF WATER RATE PER HOUR TO ONE DOLLAR AND SEVENTY-FIVE CENTS AN HOUR.

Application No. 6532.

Decided May 26, 1921.

Emory E. Knipe, in propria persona.
Walter C. Clark, in propria persona.

BRUNDIGE, *Commissioner.*

OPINION.

Emory E. Knipe and Walter C. Clark, the applicants in the above entitled proceeding, are the owners of a small pumping plant serving irrigation water to five consumers near Garden Grove, Orange County, California.

Applicants allege in effect that the present rate of $1.25 per hour for the full flow of the pump does not produce a revenue sufficient to pay the cost of maintenance and operation, and ask that they be given authority to increase the rate to $1.75 per hour.

A hearing in the above entitled matter was held before Commissioner Brundige, at Los Angeles, on March 25, 1921, of which applicants' consumers were notified and given an opportunity to appear and be heard.

The plant as operated by the applicants consists of a well, and an electrically driven pump, discharging 75 to 85 miner's inches. Water is delivered through a short transmission main and standpipe into a distribution main mutually owned by the consumers, through which it is conveyed by gravity to its point of use.

F. H. Van Hoesen, one of the Commission's hydraulic engineers, after a field investigation submitted a report which shows the estimated original cost of all used and useful properties to be $2,185, and a replacement annuity of $33, computed by the sinking fund method, which sum accumulated annually will provide a proper fund for the replacement of worn-out properties. The reasonable annual maintenance and operation expense of the system he estimates to be $630. No other estimate was submitted, and as these figures appear to be reasonable they will be used for the purposes of this proceeding.

A summary of the above estimates shows the following to be a reasonable annual charge:

Return on $2,185 at 8 per cent	$175 00
Replacement annuity	33 00
Maintenance and operation expense	630 00
Total estimated annual charges	$838 00

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The operating revenue received during the past year for 474 hours of pumping, amounted to $592.50. It is therefore apparent that applicants are entitled to an increased rate.

A study of the water use for the past year and an estimate of the use that can reasonably be expected for 1921, discloses the fact that a charge of $1.75 per hour as requested by applicants will produce a revenue approximating the above estimated annual charges.

ORDER.

Emory E. Knipe and Walter C. Clark having applied to the Railroad Commission for authority to increase the rate for irrigation water served their consumers near Garden Grove, Orange County, California, a public hearing having been held and the matter having been submitted:

It is hereby found as a fact that the irrigation rate charged by Emory E. Knipe and Walter C. Clark, in so far as it differs from the rate herein established, is unjust, unremunerative and unreasonable, and that the rate herein established is a just and reasonable rate;

And basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Emory E. Knipe and Walter C. Clark be and they are hereby authorized to file with the Railroad Commission within twenty (20) days of the date of this order the following rate for irrigation water, said rate to apply to all service rendered subsequent to July 1, 1921:

For each hour plant is operated at full capacity with the equipment in good repair, developing not less than 75 miner's inches, the charge shall be	$1 75
The minimum charge for any operation of the plant shall be	1 75

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of May, 1921.

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DECISION NO. 9006.

IN THE MATTER OF THE APPLICATION OF HANFORD WATER COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 6005.

Decided May 26, 1921.

WATER RATES—VALUATIONS FOR—ALLOWANCES.—In determining the value of a water system for rate fixing purposes and the amount to be allowed for operating expenses, the Commission refuses to include the value of a bathhouse and other real estate not found to be operative property. A claimed value of $10,000 for franchise and water rights is also not allowed when it is shown that the franchise cost $500, and no claim was made for water rights. Items chargeable to capital expense will not be included in operating expenses, extraordinary repairs to be amortized over the period of their probable recurrence. Applicants' revenue being equal to an amount found to be reasonable by the Commission, petition to increase rates denied.

L. A. Hume, for Applicant.

MARTIN, *Commissioner.*

OPINION.

Hanford Water Company, applicant in the above entitled matter, is a public utility water company engaged in the business of distributing and selling water for domestic purposes to consumers in and in the vicinity of Hanford, California.

In this proceeding applicant asks authority to increase its rates for service, alleging in effect that the present rates do not produce a revenue sufficient to yield maintenance and operation expenses, replacement fund and an adequate return on the investment.

A public hearing was held in this matter at Hanford, California, of which all of applicant's consumers were notified and given an opportunity to appear and be heard.

The original plant was installed in 1881, or thereabouts, by Messrs. Robinson and Rawlins. In 1906 they organized the Hanford Water Company which took over the original system and has carried on the utility business since that time.

The present schedule of rates was established in 1906 and has continued without change up to the present time.

Water is obtained from deep wells and lifted by electrically driven pumps into two storage tanks of a combined capacity of 150,000 gallons located on 70 foot towers. The water is distributed from these tanks through 19 miles of mains varying from 2 to 12 inches in diameter.

Approximately 1500 consumers are served at present.

At the hearing applicant submitted a report showing the book value of the system as $209,842. This sum is subject to correction for the purposes of this proceeding. The evidence shows that this amount includes the cost of the bathhouse which is a nonoperative investment

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in this matter, a gasoline engine which has been replaced, a portion of real estate known as the "water tract" which is not used in the production of water, and a value for an old power contract which has expired. A total of these items amounts to $28,800. There is also included $10,000 for franchise and water rights. The evidence shows that $500 was paid for a franchise but no claim was made for water rights. It was further shown by the evidence that the claim of $12,688.14 for certain real estate upon which the pump stations are located, is excessive and that the sum of $6,000 is a more reasonable measure of the value of this property. Making the above corrections, the amount submitted by applicant reduces to $164,854.

Applicant also submitted the sum of $28,774 as the maintenance and operating expenses for 1920. The evidence shows that this amount includes several items that are chargeable to capital expense and also to income tax, both of which should be deducted, and other items such as extraordinary repairs and Railroad Commission expense which do not occur annually and which should be amortized over a period of their probable recurrence.

Applicant submitted the amount of $6,580 as a depreciation charge, which was computed on the straight line basis. The Commission usually adopts the sinking fund method of computing depreciation as the more practicable method in rate fixing, and this method will be used in this proceeding.

An appraisal of applicant's operative properties was submitted by Mr. M. E. Ready, one of the Commission's hydraulic engineers, which shows an estimated original cost of $147,670. This sum did not include franchise value and working capital, which should be included. The evidence also shows that the sum of $4,250 should be added for rights to use certain real estate for operating purposes. The additions of these items increases the estimate of the Commission's engineer to $154,420. It was impossible to further analyze the book accounts of applicant in order to reconcile the differences between the Commission's engineer's estimate of cost and the book value as corrected above. It appears, however, that the sum estimated by the Commission's engineer is reasonable for the purpose of this proceeding. A replacement annuity was computed by the 6 per cent sinking fund method and amounts to $2,984. This sum accumulated annually is designed to provide a proper fund for the replacement of worn-out properties.

Mr. Ready also submitted an estimate of the reasonable operating expenses for the immediate future in the sum of $24,880, based upon an analysis of applicant's records and a study of operating conditions. It appears that this estimate is reasonable and may properly appear in the annual charges.

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The following is a summary of the above items which go to make up the annual charges:

Return on $154.420 at 8 per cent	$12,354 00
Replacement annuity	2,984 00
Maintenance and operation expense	24,880 00
Total estimated annual charges	$40,218 00

The records of the company show that the gross operative revenue for 1920 was $41,641 and for 1919 it was $37,240. The number of consumers has increased since 1916 from 1431 to 1509. It is reasonable to assume that the business of this utility will continue to increase. It will be observed that the present revenues are fully equal to the annual charges considered as fair, and it is therefore apparent that the rates charged at present are compensatory and remunerative and that applicant is not entitled to an increase in rates.

I recommend the following order:

ORDER.

Hanford Water Company having made application to the Railroad Commission as entitled above, for authority to increase its rates for water served in and in the vicinity of the city of Hanford, a public hearing having been held, and the matter having been submitted:

It is hereby found as a fact that the present rates charged by applicant are compensatory and remunerative;

And basing its order upon the foregoing finding of fact and the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that the application of Hanford Water Company to increase rates and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of May, 1921.

DECISION NO. 9007.

IN THE MATTER OF THE APPLICATION OF THE CITY WATER COMPANY OF BANNING, FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING APPLICANT TO INCREASE ITS RATES AND CHARGES FOR DOMESTIC WATER.

Application No. 6154.

Decided May 26, 1921.

F. L. Miller, for Applicant.

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MARTIN, *Commissioner.*

OPINION.

The City Water Company of Banning, a public utility water company, engaged in the business of distributing water for domestic purposes in Banning, Riverside County, asks for authority to increase the rates charged its consumers.

Applicant alleges that the present rates charged for water are inadequate and do not yield the necessary revenue to which it is legally entitled.

A public hearing was held in this proceeding at Banning, of which all of applicant's consumers were duly notified and given an opportunity to appear and be heard.

This utility has neither water production plant nor storage facilities. Its water supply is obtained from the Banning Water Company, a mutual company, furnishing water in the immediate vicinity of the city of Banning. The applicant is the owner of 120 shares of stock of the Banning Water Company, which entitles this utility to forty miner's inches, continuous flow, of water. The water is distributed through 30,936 feet of pipe to 450 consumers.

Applicant did not present an appraisal of its property.

Mr. D. H. Harroun, one of the Commission's engineers, presented a report covering the results of a field investigation, an appraisal of the property and a study of the cost of maintenance and operation. His appraisal shows an estimated original cost of the system, including water stock, of $32,049 and a proper replacement annuity of $513, computed by the sinking fund method. This report also recommends the sum of $5,459 as a fair and reasonable estimate of the future annual cost of maintaining and operating this system. These estimates were not questioned at the hearing or subsequently and appear fair.

The following is a summary of the annual charges as indicated above:

Return on $32,049 at 8 per cent	$2,564 00
Replacement annuity	513 00
Maintenance and operation cost	5,459 00
Total estimated annual charges	$8,536 00

The total revenue from this system for the year 1920 was $6,150.92, and averaged $5,326 for the five preceding years. It does not appear that there is reason to expect any notable increase in business in the near future. It is apparent, therefore, that authority to increase the rates should be granted, and the schedule of rates established in the following order is designed to produce annually a sum sufficient to meet operating expenses, replacement annuity, and to yield to applicant a fair return on its investment.

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I submit the following form of order:

ORDER.

The City Water Company of Banning having applied to the Railroad Commission for authority to increase the rates charged by it for water service in the city of Banning, Riverside County, California, a public hearing having been held, and the matter having been submitted:

It is hereby found as a fact that the rates and charges of The City Water Company of Banning, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates and charges herein established are just and reasonable rates.

And basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order.

It is hereby ordered, by the Railroad Commission of the State of California that The City Water Company of Banning be and it is hereby authorized to file with this Commission within twenty (20) days of the date of this order the following rates, said rates to be charged for all service rendered subsequent to June 15, 1921:

From 0 to 500 cubic feet per month	$1 00
From 500 to 1400 cubic feet per month	$0.15 per 100 cubic feet
Over 1400 cubic feet per month	0.07 per 100 cubic feet
Ice companies or other companies or individuals using water for cooling coils where water is return to the applicant's mains, per mouth	$2 00

It is hereby further ordered, that The City Water Company of Banning file with this Commission for its approval, within thirty (30) days from the date of this order, rules and regulations to govern its relations with its consumers.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of May, 1921.

DECISION NO. 9008.

IN THE MATTER OF THE APPLICATION OF COTTONWOOD IRRIGATION AND MINING COMPANY, A CORPORATION, FOR AUTHORITY TO RAISE TOLL RATES.

Application No. 6109.

Decided May 26, 1921.

WATER RATES—OPERATING EXPENSES—STOCK ASSESSMENTS.—When the rates of a water utility serving some 22 consumers, nine of which are stockholders, are so low that the stockholders through stock assessments and their proportion of the rates are obliged to pay 81 per cent of the expenses of the utility, the dis-

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crimination resulting through the payment of such assessments should be eliminated by the establishment of rates sufficiently high to cover cost of maintenance and operation.

James G. Fairchild, for Applicant.

BY THE COMMISSION.

OPINION.

Cottonwood Irrigation and Mining Company, engaged in furnishing water for domestic and irrigation purposes in the vicinity of Hornbrook, Siskiyou County, applies for authority to increase its rates from five cents to ten cents per miner's inch per day of twenty-four hours, which rate it states will not be sufficient to cover the actual operating expenses.

A public hearing upon the application was held by Examiner Westover at Hornbrook, of which consumers were notified, and about half attended.

Applicant diverts water from Cottonwood Creek and conveys it by a ditch about seven miles long, and diverts water from Grouse Creek and conveys it by a ditch about two and one-half miles long, about half of the latter ditch being constructed in solid rock. About two miles of the creek channel is also utilized for conveying water.

The original Cottonwood ditch was constructed for mining use previous to 1870 and was acquired by a group of individual irrigators about November, 1900, on a valuation of $4,000. Applicant was organized with a capital stock of $10,000, divided into 100 shares of the par value of $100 each, and $6,400 of stock at par was issued upon acquiring the property. Later the remaining thirty-six shares of stock were issued at $80 per share, and $5,320 was raised by three assessments. The company is indebted in the sum of $3,750, represented by three promissory notes, part of the proceeds being used for construction purposes and part to cover deficits in operating expenses.

Operating expenses for 1919 are shown by applicant's books as totalling $1,440.25, but an analysis shows that part of this sum is chargeable to betterments. Operating expenses for 1920 are shown as $916.68. For several years the officers served the company without compensation and gave the use of their automobiles. The estimate as made by Mr. John Spencer, one of the Commission's engineers provides for slight remuneration to the Secretary and also provides to a certain extent for the automobile operations of the officers in the conduct of the business. From an analysis of past expenses and a study on the ground of operating conditions, the Commission's engineer estimates a reasonable annual cost for maintenance and operation to be $1,310.

Operating revenues under the present five cent rate are as follows:

1915	$597.40	1918	$709.00
1916	695.85	1919	1116.50
1917	694.20	1920	884.85

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or an average of $782.96. The abnormally large sales during 1919 and 1920 were due to the fact that these were exceptionally dry years, and that the spring irrigation season opened very early in the year. The average revenue for the four years, 1915-1918, inclusive, which appear to be normal years, amounted to $674.11.

Of the 1919 operating revenue, amounting to $1116.50, $867.80, or 77 per cent, was derived from eleven stockholders and $248.70 from sixteen nonstockholders. Of the 1920 revenue, $716.00, or 81 per cent, was derived from nine stockholders and $169.75 from thirteen nonstockholders.

The present rates result in discrimination against stockholders, who, after paying the regular rates, are assessed upon their stock to cover deficits in operation. The discrimination resulting through the payment of assessments should at least be eliminated by establishing a rate sufficiently high to cover cost of maintenance and operation. The officers testified that, in their judgment, there would be no objection, under the circumstances, to granting the increase in rates sought, and the patrons of the company who were in attendance offered no objection when called upon.

No appraisal was presented in evidence by applicant and the Commission's engineers did not make an appraisal, for the reason that no return upon the investment is requested by applicant. No estimate of annuity for replacements was made because the rate requested will probably not return much more than the normal cost of maintenance and operation under present conditions.

ORDER.

A public hearing having been held upon the above entitled application, the matter being submitted and now ready for decision, and the Commission finding that the present rates are unjust and unremunerative and that the rate herein established is just and reasonable to be charged for the service rendered;

It is hereby ordered, that Cottonwood Irrigation and Mining Company, a corporation, be and it is hereby authorized and directed to file within twenty days, and thereafter to charge and collect, rates for water used for irrigation purposes, as follows:

10 cents per miner's inch per 24 hours.

Dated at San Francisco, California, this twenty-sixth day of May, 1921.

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DECISION NO. 9012.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE EXECUTION OF A MORTGAGE SECURING AN ISSUE OF FIVE MILLION DOLLARS OF GENERAL LIEN BONDS, THE SALE OF TWO MILLION FIVE HUNDRED THOUSAND DOLLARS OF SAID GENERAL LIEN BONDS AND THE HYPOTHECATION OF TWO MILLION FIVE HUNDRED THOUSAND DOLLARS OF FIRST AND REFUNDING BONDS.

Application No. 6526.

Decided May 26, 1921.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8729, dated March 10, 1921, authorized Great Western Power Company of California to issue and sell, at not less than 94 per cent of face value plus accrued interest, $2,500,000 of general lien convertible eight per cent gold bonds subject, among others, to the condition that the proceeds realized from the sale of the bonds be deposited with the trustee or trustees under a proper escrow agreement, until such time as the Commission might authorize the company to execute a general lien mortgage securing the payment of the bonds; and

Whereas, Great Western Power Company of California, on May 16, 1921, filed with the Commission a copy of its proposed mortgage securing the payment of an authorized issue of $5,000,000 of general lien convertible eight per cent gold bonds;

And the Commission having considered the terms and conditions of the proposed mortgage and being of the opinion that applicant should be permitted to execute a mortgage substantially in the same form as that filed with the Commission on May 16, 1921;

It is hereby ordered, that Great Western Power Company of California be and it is hereby authorized to execute a mortgage substantially in the same form as the mortgage filed with the Commission in this proceeding on May 16, 1921, provided—

That the authority herein granted to execute a mortgage or deed of trust is for the purpose of this proceeding only and is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which said mortgage or deed of trust may be subject.

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It is hereby further ordered, that the order in Decision No. 8729, dated March 10, 1921, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-sixth day of May, 1921.

DECISION No. 9014.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER ESTABLISHING JUST AND REASONABLE RATES FOR THE SALE OF ELECTRICITY.

Application No. 5394.

Decided May 26, 1921.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, in this Commission's Decision No. 8815, rendered on March 31, 1921, in the above entitled matter, it is provided that Southern California Edison Company shall file with the Railroad Commission a stipulation relative to the accounting for reserve for accrued depreciation and a certain further stipulation relative to the establishment of a contingency reserve fund from its net earnings; and

Whereas, Southern California Edison Company has petitioned for a modification of said decision; and

Whereas, it appears that Southern California Edison Company has retired certain additional properties not estimated in said decision and that the corrected amount which should be in the reserve for accrued depreciation as of January 1, 1921, is the sum of $8,133,385 instead of $8,250,000, the amount set forth in the proviso in said order; and

Whereas, it appears that the total sum to be set aside from the net earnings on the Edison system for 1920 exclusive of the former Mt. Whitney Power and Electric Company to the contingency reserve to be set up is the sum of $550,000; and

Whereas, it appears further that the contingency reserve to be hereafter accounted for should be limited to cover the fluctuations in water supply and fuel oil price, and good cause appearing:

It is hereby ordered, that certain provisions set forth on page 38 of the order in Decision No. 8815 be and the same are hereby modified to read as follows:

"Southern California Edison Company shall file with the Railroad Commission on or before June 30, 1921, a stipulation duly authorized by its Board of Directors in which it agrees to add annually, until otherwise authorized by the Commission, to its reserve for accrued depreciation the proper annuity as indicated in the opinion of the Commission in said Decision No. 8815 and an amount equivalent to interest at

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the rate of 6 per cent per annum upon $8,133,385—the amount which it is estimated should have been in the reserve on January 1, 1921, plus interest at the rate of 6 per cent per annum on the net additions and betterments to the reserve for accrued depreciation from and after January 1, 1921.

Southern California Edison Company shall file with the Railroad Commission on or before June 30, 1921, a stipulation duly executed by its Board of Directors in which it agrees to establish and create from its net earnings a contingency reserve and contingency reserve fund in the following manner and for the following purposes:

That it will set up on its books an account to be known as "contingency reserve," and will immediately transfer to said account from unappropriated surplus the sum of $550,000; that it will at the end of and as a part of its accounting for each calendar year, credit to said reserve an amount which represents the saving in fuel oil during the year resulting from the fact that the output from its hydro-electric plants during the year has been greater and the output from its steam plants has been less than would have been the case had conditions of water supply available to its hydro-electric plants been at average, together with an amount representing the saving to the Company from any decrease below the standard of two dollars per barrel at shipping points in the price paid by it for fuel oil consumed during the year; that it will and may, at the end of each calendar year, charge such contingency reserve account with an amount which represents additional fuel oil purchased and consumed because of the fact that the output of its hydro-electric plants has been less and that of its steam plants greater than would have been the case had conditions of water supply available to its hydro-electric plants been at average, together with an amount representing additional expense to the Company occasioned by an increase above the standard of two dollars per barrel at shipping points in the price paid by it for fuel oil consumed during the year; that whenever after January 1, 1922, there is an excess of credits over charges in said account, an amount of cash equal to such excess will be deposited in a fund to be designated "contingency reserve"; the money in such fund to be carried in a bank or banks or invested in securities authorized by the Commission, income from the fund to be added to the fund and credited to the contingency reserve account, and that it will abide by such orders as the Commission may make from time to time, in accordance with the principles of this stipulation, relating to the accountng for such contingency reserve and to the additions to or withdrawals from any contingency reserve fund created under this stipulation.

In determining the extent to which in any year the output from hydro-electric plants is greater or less by reason of the water supply conditions of that year being greater or less than average, the load of the year under consideration will be applied to the water resources of each of the years for which an adequate record exists, taking into consideration both the hydro-electric installation available during the year under consideration to utilize such water resources, and the steam capacities to supply the balances, and the average of such figures will be taken as the output under average water conditions."

It is hereby further ordered, that Southern California Edison Company shall, on or before June 30 of each year, submit to the Commission an estimate of the probable amounts to be added to or withdrawn from said contingency reserve fund during said calendar year under the provisions of the stipulation heretofore set forth together with the basis of such estimates, and that upon approval of the Commission it will add to or may deduct from said contingency reserve fund such amounts as shall be approved, subject to final adjustment, within a reasonable time after the end of said calendar year.

Dated at San Francisco, California, this twenty-sixth day of May, 1921.

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DECISION No. 9015.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION, FOR AN ORDER AUTHORIZING IT TO ISSUE AND PLEDGE BONDS.

Supplement to Application No. 6572.

Decided May 26, 1921.

BY THE COMMISSION.

FOURTH SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8716, dated March 9, 1921, in the above entitled matter, authorized San Joaquin Light and Power Corporation to issue and sell $7,000,000 of unifying and refunding bonds, subject among others, to the condition that none of the proceeds be expended until the Commission by supplemental order has authorized applicant to execute a unifying and refunding mortgage; and

Whereas, the Railroad Commission by Decisions No. 8668 and No. 8716, as amended, authorized applicant to issue and deposit with The Equitable Trust Company of New York $3,750,000 of its first and refunding mortgage bonds to secure the payment of $3,000,000 of short term loans; and

Whereas, applicant asks permission to deposit the $3,750,000 of first and refunding bonds, together with $1,250,000 of additional first and refunding bonds with the trustee under the unifying and refunding mortgage, which it asks permission to execute;

And San Joaquin Light and Power Corporation having filed with the Commission a copy of its proposed unifying and refunding mortgage and the Commission being of the opinion that applicant's request should be granted;

It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to execute a mortgage or deed of trust substantially in the same form as the mortgage or deed of trust filed with the Commission in the above entitled matter on May 24, 1921, provided—

That the authority herein granted to execute a mortgage or deed of trust is for the purpose of this proceeding only and is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which said mortgage or deed of trust may be subject.

It is hereby further ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to issue and deposit with The Equitable Trust Company of New York, trustee under the mortgage

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which applicant is herein authorized to execute, $1,250,000 face value of its first and refunding mortgage bonds, and also deposit with said trustee the $3,750,000 of first and refunding mortgage bonds which the Commission has heretofore authorized applicant to issue and deposit with The Equitable Trust Company of New York for the purpose of securing the payment of short term loans, provided—

That the authority herein granted to issue and deposit the $1,250,000 of first and refunding mortgage bonds will not become effective until applicant has paid the fee prescribed in the Public Utilities Act; and provided further—

That applicant will file with the Commission reports as required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

It is hereby further ordered, that subdivision "a" of condition "4" of the order in Decision No. 8716, dated March 9, 1921, reading—

To pay the loans secured by the $2,375,000 of first and refunding mortgage bonds, the issue of which was authorized by Decision No. 8668.

be and it is hereby amended so as to read:

To pay the loans secured by the $2,750,000 of first and refunding bonds, the issue and deposit of which the Commission has authorized by Decision No. 8668, dated February 24, 1921, and by Decision No. 8716, dated March 9, 1921, as amended by Decision No. 8771, dated March 19, 1921, by Decision No. 8818, dated April 1, 1921, and by Decision No. 9879, dated May 16, 1921.

It is hereby further ordered, that any recitals or provisions in Decision No. 8716, dated March 9, 1921, as amended, which may be inconsistent with the terms of this order be and they are hereby rescinded;

It is hereby further ordered, that the order in Decision No. 8716, dated March 9, 1921, as amended, shall remain in full force and effect, except as modified by this fourth supplemental order.

Dated at San Francisco, California, this twenty-sixth day of May, 1921.

DECISION No. 9017.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA TO FIX JUST AND REASONABLE RATES FOR ELECTRIC SERVICE. (CONTINUING ORIGINAL APPLICATION NO. 5567 FOR FINAL ORDER AND DECISION).

Second Supplemental Application No. 5567.

Decided May 27, 1921.

ELECTRIC RATES—ESTABLISHMENT OF—NOT FIXED FOR SPECIFIED PERIODS.—It has not been the practice of the Commission in either surcharge or general rate proceedings to fix rates for calendar years or to reimburse utilities, especially in surcharge proceedings, for deficient earnings in preceding periods.

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MAINTENANCE—ALLOWANCE FOR RATE PROCEEDINGS.—In computing an allowance for maintenance, the Commission holds that even though protestants have been insistent in the demand for the utmost economy, it does not assume that they would demand that such economy be carried to the point of impaired service, reduced efficiency and consequent future waste. It is the duty of the Commission to see that the property of utilities is properly maintained and that adequate financial provision is made for such maintenance. It is held that maintenance costs during the year 1921 will not materially differ from such cost during 1920.

INTERCONNECTIONS—GENERATING COSTS.—In concluding arrangements whereby one electric utility will purchase surplus hydro-electric power from another company, the Commission shows that a considerable saving in steam generating costs will accrue if immediate steps are taken by both company to make the necessary interconnections.

TAXES—METHODS OF ESTIMATING—ALLOWANCES FOR.—The Commission holds that its method of estimating taxes on the accrual, as distinguished from the payment basis, is just and reasonable to both the utility and the consumers. In the determination of working cash capital of a utility the Commission does not include taxes as a part thereof, and the company should, therefore, accrue its taxes before the same are paid.

DEPRECIATION—ALLOWANCES FOR.—The utilities claim for an allowance of 3 per cent for depreciation covering additions to operative property such as land, ditches, generating machinery, etc., is held to be in excess of that normally allowed by the Commission. Such a figure while allowed by the Commission in former decisions in similar cases was applicable only where additions were principally to the distributing system.

Applicant authorized to charge and collect in addition to its regular rates, exclusive of present 10 per cent surcharge, a surcharge of 6 per cent, to be effective for metered service based upon all meter readings taken on and after June 10, 1921, and for flat rate service rendered on and after June 1, 1921, and it is directed to refund to consumers the difference between the 10 per cent surcharge collected since April 10, 1921, and the 6 per cent surcharge herein established.

C. P. Cutten, for Applicant.
George Lull and *John J. Dailey*, for city and county of San Francisco.
Leon Gray, for the city of Oakland.
Frank V. Cornish, for the city of Berkeley.
Archer Bowden, for the city of San Jose.
D. T. Jenkins, for the city of Los Gatos.
E. H. Armstrong, for the city of Grass Valley.
F. T. Nilon, for the city of Nevada City.
Archibald Yell, for the city of Sacramento.
L. B. Leavitt, *C. C. Isaacson* and *Mr. Wilson*, for the city of Vallejo.
H. P. Hatfield, Secretary of the Chamber of Commerce of Vallejo.
J. Oscar Goldstein, for city of Chico.
T. C. Judkins, for town of Emeryville.
A. F. Bray, for city of Martinez.
A. J. Carlson, for city of Modesto.
William N. Graybeil, for city of Turlock.
C. H. Frey, for California Metal and Mineral Producers' Association.
Mrs. Lydia Wolf, for the California Federation of Housewives' Leagues, Oakland.
Hector A. Dunn, for the California Federation of Housewives' Leagues, Oakland.
Messrs. Haller, Powers and Ehrman, by *Mr. Ehrman*, and *C. J. Carlson*, for Patterson Water Company.
Raymond A. Leonard, for city of Oroville.
J. F. Pollard, for Coast Valleys Gas and Electric Company.
L. F. Leacey, for the Sperry Flour Company.
Robinson and Price, for the California Manufacturers' Association, Alameda Sugar Company, et al.
Chickering and Gregory, for the Western States Gas and Electric Company.
B. G. Crittenden, for the city of Tracy, West Side Irrigation District, Naglee-Burke Irrigation Company and the Riverview Land and Water Company.
William E. Abbott, for the United Railroads of San Francisco.
A. A. De Ligne, for F. H. Harvey of Galt.

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John J. Dailey, Leon E. Gray and *Archer Bowden*, for Daly City, Morgan Hill, Petaluma, San Leandro, Stanford University, Redding, Alviso, Pacific Grove, Colusa, Healdsburg, Marysville, Hamilton City Chamber of Commerce, Oakdale, Woodland, Pittsburg, Emeryville, Red Bluff, King City, Orland, Calistoga, Arbuckle Chamber of Commerce, Vacaville, Martinez, San Mateo, Redwood City, Santa Rosa, Corning, Placerville, Auburn, Rio Vista, Larkspur, Turlock, Watsonville, Burlingame, Ross, Sonora, Walnut Creek, Corte Madera, Piedmont, Dunsmuir, Mountain View, Albany, Antioch, Rocklin, Pinole, town of El Cerrito.

F. S. Brittain, for California Farm Bureau Federation.

Morrison, Dunne and Brobeck, by *Herman Phleger*, for Santa Cruz Portland Cement Company and Pacific Portland Cement Corporation.

H. F. Chadbourne and *John S. Partridge*, for Cowell Portland Cement Company.

R. G. Clifford, Engineer for the Association of Reclamation Districts.

Mrs. W. T. Cleverdon, for California State Housewives' League.

Mrs. May Larkin Marston, for Alameda Housewives' Branch of the State Housewives' League.

L. B. Gurney, for Yuba-Sutter Irrigators and Brown Valley Irrigation District.

W. D. Harrington, Engineer for West Side Irrigation District, Naglee-Burke Irrigation District and Kasson Irrigation District.

William E. Harvent, for State Housewives' League.

H. W. Crozier, for James Mills Orchards Corporation and Esperanza Land Corporation.

ROWELL, *Commissioner.*

OPINION.

Pacific Gas and Electric Company, hereinafter referred to as applicant, in this second supplemental application requests that the temporary surcharge of 15 per cent authorized by this Commission in its Decision No. 7823, dated June 30, 1920, be continued pending the final fixing of definite rates. This surcharge was originally authorized for a period of nine months, ending April 10, 1921. In the course of the hearings on this second supplemental application it became apparent that all the evidence could not be submitted before the date at which the surcharge would automatically terminate. The evidence which had been submitted at that time was not such as to justify the continuation of the full amount of the surcharge nor its entire removal and the Commission by Decision No. 8835, dated April 9, 1921, reduced the surcharge from 15 per cent to 10 per cent and continued in effect the reduced surcharge pending a final decision on the supplemental application, with the provision that any further reduction in the surcharge should be retroactive to April 10, 1921.

Hearings were continued, the proceeding was submitted on May 20, 1921, and is now ready for decision on the subject of the continuation of the surcharge.

As is customary, it was stipulated that the evidence in the so-called "main case" together with records in former proceedings involving Pacific Gas and Electric Company before this Commission and the various official records on file with the Commission might be considered in evidence. Following the submission of evidence a reduction of 25 cents per barrel in the price of oil occurred, which if continued in effect will considerably reduce the cost of operation. At the time of oral argument

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on May 20 it was stipulated that advice of the reduction of oil received by the Commission might be considered in evidence.

Briefs in the form of written or oral argument were submitted by C. P. Cutten for applicant, F. S. Brittain for California Farm Bureau Federation and J. J. Dailey on behalf of the municipalities.

This is primarily a surcharge proceeding and must be treated as such. The main proceeding, which involves the fixing of definite rates and the final basis of rate determination, has not been completed and from present indications will not be completed before the last of this year. While many of the finer points raised by protestants in the course of the hearings are pertinent to a general consideration of rates and to the larger investigation in connection with the case, it must be remembered that the consideration of the surcharge is directed to the maintenance of reasonable rates and earnings pending the final decision.

Under similar circumstances in the past the Commission has provisionally accepted the net earnings of the pre-war period checked against such evidence as was available relative to the valuation of the properties as the measure of a fair return on the property then existing. Without awaiting the completion of a long and detailed valuation and analysis, applicant's rates have been temporarily adjusted to maintain the return on property existing in 1917 and to allow a fair return on property added since that time. Applicant has presented its case along the same lines and there is no apparent reason for any change. It will of course be understood that findings herein made are for the purpose of temporary rates only and are in no way to be considered as establishing precedents, either as to the larger phase of this case or as to any other matter.

Many of the issues involved in the so-called "main case" are most important and will require careful study by the Commission and will doubtless be the subject of careful and lengthy consideration by the various interested parties.

Applicant urges for consideration of the Commission failure on its part to earn the return found reasonable in the past and that the continuation of the 15 per cent surcharge is necessary to maintain the net earnings of the company to a level heretofore found reasonable. Protestants contend that the evidence is conclusive that with the discontinuance of the surcharge on April 10 the net earnings of applicant for the year 1921 will be sufficient. It has not been the practice of this Commission in surcharge or general rate proceedings to fix rates for calendar years or to reimburse the utility, especially in surcharge proceedings, for lack of earnings in preceding periods. This matter being a subject for consideration in the main proceeding should, as far as possible, be left to the main case for more careful consideration than can be given it in connection with the present proceeding.

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I must conclude that if the lack of earnings below or the excess of earnings above what has been considered reasonable return prior to April 10, 1921, is to be a subject for consideration, that consideration must be given in the main proceeding. The question for the Commission to determine herein is, what surcharge, if any, is justified on and after April 10, 1921. The time required to reach a final conclusion cannot be accurately foretold and to avoid undesirable fluctuations in rates, consideration will be given to average conditions as reflected in the estimates for the year 1921 rather than to such conditions as are obviously of a temporary nature. In this I refer primarily to hydro-electric power supply and the price of oil, which latter during the first part of this year has been twenty-five cents per barrel higher than at present.

In determining whether or not the rates to be charged from and after April 10, 1921, shall include a surcharge, it appears reasonable that average water power conditions and the present price of oil should be used, applied to an entire twelve months period.

In support of its request, applicant presents figures showing that for the years 1918, 1919 and 1920 the properties now incorporated in the system of Pacific Gas and Electric Company have failed to earn the amounts which this Commission has in various proceedings found reasonable and that the estimated earnings for the year 1921 with the surcharge of 15 per cent in effect for the entire year will not result in a return in excess of that which applicant maintains is reasonable. These figures are summarized in the following table:

TABLE No. I.

Condensed Operating Statement Pacific Gas and Electric Company. 1920 Actual—1921 Estimated, With 15 Per Cent Surcharge for Entire Year.

	1920, actual	1921, estimated
Gross revenue:		
From consumers	$21,553,632 00	$24,543,170 00
Interdepartment	387,349 00	440,223 00
Total	$21,941,481 00	$24,983,393 00
Operating expenses:		
Maintenance	$1,770,045 00	$2,240,342 00
Operating (exclusive of fuel and purchased power)	3,190,015 00	3,520,365 00
Operating—fuel	4,550,335 00	3,834,263 00
—purchased power	693,642 00	928,299 00
General and administrative	660,929 00	725,000 00
Taxes	1,897,879 00	2,514,041 00
Insurance reserve	135,042 00	290,000 00
Uncollectible accounts	61,734 00	78,000 00
Total	$12,759,621 00	$14,130,310 00
Deductions:		
Year 1920—Maintenance reserve deficit		$115,651 00
State taxes on 1920 revenue not provided for in 1920 expenses due to increase in tax rate		409,079 00
		$524,730 00
Net revenue available for depreciation and return	$9,181,860 00	$10,328,353 00

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Applicant's estimate of reasonable net for depreciation and return for 1921, based on the Commission's findings in the former surcharge decision is summarized as follows:

TABLE No. II.

Pacific Gas and Electric Company's Estimate Reasonable Net for Depreciation and Return, 1921.

Depreciation and return found reasonable in previous decisions:		
Decision No. 5519—Pacific Gas and Electric Company		$6,415,960 00
Decision No. 6285—Northern California Power Company		639,947 00
Decision 5867—Sierra and San Francisco Power Company		1,074,487 00
		$8,130,394 00
Net additions to operative property from dates of decisions	$15,135,165 00	
Increase in working cash capital	623,469 00	
Increase in materials and supplies	1,473,000 00	
	$17,231,634 00	
Additional allowance for return 9 per cent on $17,231,634		1,550,847 00
Additional allowance for depreciation 3 per cent on $15,135,165		454,055 00
Total required for depreciation and fair return		$10,135,296 00

Applicant shows from the above that its estimated net earnings for 1921, with the surcharge in effect for the entire year, would be only $192,051 in excess of a reasonable return based on the Commission's previous findings.

Applicant's estimates of revenue, expense and allowable return were subject to exhaustive cross-examination, special attention being given to the estimates of maintenance, fuel oil and purchased power, taxes and insurance reserve, and to the deduction proposed by it for maintenance reserve and taxes on 1920 revenue.

In comparison with the above estimate Attorney J. J. Dailey, representing the municipalities, submitted a set-up for 1921, summarized in the following table, which in addition to certain changes in figures due to conclusions as to evidence, takes into account the changed price of oil effective May 13, and the probable purchase of power from Great Western Power Company not included in the original estimate of the company.

TABLE No. III.

Pacific Gas and Electric Company, Electric Department. Year 1921 (Estimated) With 15 Per Cent Surcharge Up to April 10, 1921. (Municipalities Estimated.)

Gross revenue		$22,628,961 00
Expenses:		
Maintenance		$2,040,000 00
Operating (exclusive of fuel and purchased power)		3,520,365 00
Operating—fuel oil		2,940,510 00
—purchased power		1,333,299 00
General and administrative		665,000 00
Taxes		1,742,627 00
Insurance reserve		85,000 00
Uncollectible bills		78,000 00
Total expense		$12,404,801 00
Net for depreciation and return		$10,224,160 00
Amount suggested as reasonable for depreciation and return determined from cities' estimate		9,737,971 00

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The company's estimate of revenue for the year 1921 does not allow for a growth of business equal to that experienced in previous years. The lesser growth is attributed to a reduction in industrial activities, less agricultural pumping on account of reduction in rice acreage and generally greater precipitation. A year's revenue under present conditions is difficult of accurate estimate or check. I believe from the evidence it is reasonable to accept applicant's estimate for this proceeding, which is:

Revenue 1921—on the basis of—	
15 per cent surcharge up to April 10	$22,628,961 00
15 per cent surcharge for entire year	24,983,393 00
Revenue from basic rates:	
General business	$21,341,887 00
Interdepartment revenue	382,803 00
	$21,724,690 00

Considerable question was raised by counsel for protestants regarding applicant's actual and estimated expenditures for the maintenance of its system. The estimate presented for the year 1921 is $2,240,342, of which the evidence shows $133,000 is for work which was originally planned to be done in 1920 and for which allowance was heretofore made. Allowance for maintenance of $2,040,000 per annum was made in Decision No. 7823 and as the rates were based upon the year commencing April 1920 it does not appear reasonable to include that amount in the estimate herein, same having been allowed for in the surcharge charged up to April, 1921. The same conclusion must apply to the amount of $115,651 expended during the last six months of 1920 in excess of the monthly reserve allowance of $170,000. As pointed out, maintenance work estimated at $133,000 was deferred from 1920 to 1921 and it would appear reasonable to deduct $133,000 from the estimate of $2,240,000.

The contention is made that part of the expenditure contemplated for the coming year is for work which should have been done in the past and which was deferred on account of the difficulty in securing labor, material or funds. An examination of the expenditures for maintenance work on the various properties now a part of applicant's system shows that for the years 1918, 1919 and 1920 more money was expended than the amounts which were allowed by the Commission in fixing rates. It is, therefore, apparent that the inclusion in the present estimate of any items of deferred maintenance will require consumers to make up only amounts which have not heretofore been included in rates and that no duplication of charges for maintenance work will result.

The question of relative cost of maintenance work in the years 1920 and 1921 was the subject of lengthy cross-examination, counsel for protestants taking the position that there would be a marked decrease

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in the unit costs of labor and material. The matter was finally referred to a committee of engineers, one appointed from the engineering staff of the Commission, one chosen by counsel representing protestants and one chosen by the Company. This committee submitted a report showing that as far as the system of Pacific Gas and Electric Company is concerned the unit cost of maintenance work will for all practical purposes be the same in 1921 as in 1920. Although there has been some decline in both labor and material costs, the reduction in 1921, it is estimated, will not more than offset the increases which occurred during 1920.

During the past year the Commission has received many complaints regarding the quality of service received by applicant's consumers and investigation has usually shown these complaints to be caused by deficient maintenance or insufficient capacity. Adequate service can be given only if facilities are properly maintained, and the deterioration in the quality of service that must surely follow an insufficient allowance for maintenance is unquestionably without justification in the consequent slight reduction in the total cost of operation. Protestants have been insistent in the demand for the utmost economy, but it is not to be assumed that the consumers of this utility would demand that such economy be carried to the point of impaired service, reduced efficiency and consequent future waste. It is the duty of this Commission to see that the property of this utility is properly maintained and that adequate financial provision is made for such maintenance.

In estimating reasonable expenditures for the ensuing year I have increased the 1920 allowance to $175,000 per month, or $2,100,000 for the year. Pacific Gas and Electric Company will be expected to set this amount aside each month for maintenance commencing as of April 1, 1921, and any portion not expended is to be kept in reserve for maintenance in the future.

Applicant has estimated a total hydro-electric production for the year 1921 of 1,032,800,000 kilowatt hours, the purchase of 158,000,000 kilowatt hours and the generation by steam power of the remaining 399,200,000 kilowatt hours required to meet the estimated total demand for 1,590,000,000 kilowatt hours for the year. Of the hydro-electric output 70,200,000 kilowatt hours is expected to come from new plants to be brought in during the year and 962,600,000 kilowatt hours from existing plants, which under average conditions of water supply could produce according to present estimates but 939,000,000 kilowatt hours. It is highly desirable that the rates of this company be placed on a stable basis, not only in the so-called "main case," but as far as possible in the surcharge case as well, and to avoid a repetition of past increases of rates brought about by deficient water supply consideration

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will be given to average conditions rather than to unusually favorable conditions which may exist during the calendar year 1921. The reasonable operating expenses as determined herein are based on the average hydro-electric output to be expected.

From the evidence in the application of Great Western Power Company of California for a continuation of its surcharge, hearings in which covered the same period as those in this proceeding, it appeared that Great Western Power Company would have available a surplus of hydro-electric energy. Negotiations between the companies which had been pending for several months were promptly closed on an order from former President Devlin who was then presiding. The arrangement thus consummated will result in the purchase by Pacific Gas and Electric Company of an additional amount of hydro-electric power, estimated by the Commission's Assistant Chief Engineer, Lester S. Ready, at approximately 70,000,000 kilowatt hours on the year's basis.

The original estimates submitted by the companies show a considerable less figure. It would not in any way appear impossible, however, for Pacific Gas and Electric Company to take the amount estimated above if steps are immediately taken by both companies to make the necessary interconnections. Both utilities agreed to take all reasonable steps and such action is expected in full by this Commission.

This purchase of power will result in a conservation of approximately 310,000 barrels of oil during the year and result in a reduction in the estimated cost of operation by Pacific Gas and Electric Company of approximately $75,000 per annum. The estimate of fuel cost for the year 1921 as set up by the company when revised for the change in the price of oil and the purchase of power from the Great Western Power Company will be reduced to $2,940,510. On the basis of the present price of oil and average water power conditions the cost would be $3,000,000, making a net saving of $435,000. The rate for the power to be purchased from Great Western Power Company as originally proposed by Mr. Ready in his memorandum to the Commission was based upon a consideration not only of the cost of the production of that power, but of the price of oil effective prior to the reduction of 25 cents per barrel made on May 13, 1921. Although the cost of producing the power by Great Western Power Company, if full return is allowed upon its investment, exceeds the price recommended, it is apparent, as suggested by Mr. Ready, that the price must be such as to encourage the purchase by Pacific Gas and Electric Company. Necessarily the effect of the change in price of oil will be to considerably reduce the price which Pacific Gas and Electric Company can economically pay for the power. The estimate herein will be based upon an average rate of approximately 6.7 mills per kilowatt hour, instead of 7.5 mills as heretofore estimated.

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A reduction of eight-tenths of one mill per kilowatt hour will also be made in the cost of power purchased from San Joaquin Light and Power Corporation on and after June 1, 1921, on account of the effect of the reduction in oil price to Pacific Gas and Electric Company. The cost of purchased power should be increased to $1,360,000 to cover the increased purchase from Great Western Power Company as estimated and to reflect the change in oil price. The total saving due directly and indirectly to the decrease in the price of oil and the purchase of power from the Great Western Power Company is on an average annual basis approximately $610,000.

Although subject to some question by protestants I am convinced that applicant's estimate of general and administrative expense is not unreasonable to be allowed in connection with this proceeding.

The company's estimate of taxes was the subject of extensive cross-examination and argument, mainly directed to the method of estimating the state taxes chargeable to the operations during the year. The company's estimate is on the "accrual" as distinguished from the "payment" basis. The former method has been followed by the Commission since 1913 and consists in allowing an amount for taxes equivalent to the tax rate in any given year times the gross revenue for that year. Protestants urged that this method allows a greater amount than will be paid during the year and, if the gross revenue steadily increases from year to year, an increasing balance unpaid to the state will result, which will never be an actual expense.

The present method of taxation applicable to corporations such as Pacific Gas and Electric Company is to a certain extent a hybric between an advalorem and income tax. In legal theory it is a property tax, but the measure of the tax is computed on a gross income basis. The taxes which become a lien upon the company's property in March 1921 are computed at 7½ per cent of the gross revenue received from the business for 1920. It is, therefore, apparent that, barring a modification of the rate of taxation downward or a complete doing away with the present basis of taxation, the gross revenue in one year places an obligation upon the company to pay 7½ per cent of that amount to the state during the succeeding fiscal year. Where a company's business continually increases, as applicant's has done, computations will show that the amount due in July of each year and which becomes a lien upon the property in March of that year is less than the amount which would be estimated on an accrual basis for the same period, so that a fund will accumulate in any such reserve.

Attorney F. S. Brittain, for the Farm Bureau Federation, urges that applicant as a result of the method used collected a very large sum in the past in excess of that necessary and that an unnecessary burden on

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consumers has resulted. An analysis of the facts leads to the conclusion that in whole, applicant has not during the period when rates have been determined by this Commission for the company's entire system, earned in full the return found reasonable by the Commission. It follows, therefore, that irrespective of this consideration, practical injustice to the consumers has not resulted in the past.

Applicant urges that it must be reimbursed for $409,000, being the difference between 7½ per cent of its 1920 revenue and 5.6 per cent of the same, which it contends it did not accrue but must pay out during the present year. I do not find that the Commission has at any time in the past contemplated that a utility should accrue and hold from one year to the next the taxes computed for that year. The Commission's basis has been in determining rates to compute taxes upon the revenue from that year, the company paying out for that year the actual taxes, the balance, of course, holding over to the ensuing year. Applicant's claim for $409,000 should not be allowed.

I cannot, however, agree with protestants that the installments actually paid in any calendar year represent the correct amount to be allowed in determining rates. In the determination of working cash capital of a utility the Commission does not include taxes as a part thereof and the company should, therefore, accrue its taxes before the same are paid; also, as the taxes due in July become a lien on the property in March of the same year, it is apparent to me that the state taxes to be allowed should at least be the amount due and payable on the first Monday in July even though the second installment is not actually paid until the first of the following year. For this proceeding I recommend that the state taxes to be allowed be based upon the amount which becomes a lien upon the company's property on the first Monday of March of this year, or 7½ per cent of 1920 gross revenue. Like all other determinations in this decision, this conclusion is of course not a commitment nor a binding precedent on the action of this Commission in the decision of the final case or of other cases involving the same point. The other taxes which are to be considered as part of the operating expenses of applicant are mainly Federal income tax and local franchise taxes which are applicable to the year in which the income is received. The taxes to be allowed as expenses chargeable to the operations of 1921 are, therefore, as follows:

State taxes, 7½ per cent of 1920 gross revenue	$1,611,900 00
Capital stock and miscellaneous taxes, including county franchise	52,000 00
Federal income tax based upon net income found reasonable	550,000 00
Total	$2,213,900 00

Applicant estimates the proper amount to be set aside to insurance reserves during 1921 at $290,000. Compared with this is the estimate

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of $80,000 presented in connection with the application which resulted in the granting of the present 15 per cent surcharge and the actual amount of $135,042 set up on the books for 1920. Witnesses for applicant explaining the method of arriving at the figure of $290,000, described a study of the increase in insurable capital, of the increase in the cost of replacing property in event of its destruction and of the premium rates of insurance companies. It is evident from this testimony, as well as from the figures themselves, that a considerable change has been made in the basis of this charge. The purpose of this surcharge proceeding is to adjust rates temporarily to care for marked changes in conditions pending the conclusion of the more exhaustive investigation which is now under way. Without finally passing on the reasonableness of applicant's claim, it seems that it is properly a subject for the larger investigation, and that a reasonable figure for use in the present consideration will be $120,000, which is comparable with the actual expenditures for the past year.

An examination of the details of the additions to operative property on which applicant claims a return of 9 per cent and an allowance of 3 per cent for depreciation shows in excess of $4,000,000 for such items as land, ditches, generating machinery, etc., on which 3 per cent annuity for depreciation is in excess of that normally allowed by the Commission. This figure has been used by this Commission in previous decisions in similar cases, but only where additions were principally to distribution system. The application of a more rational percentage for depreciation to these items results in a reduction of at least $115,000 per year, below the company's estimate of $454,055 to cover additions since the determination of the original surcharge cases in 1918 and below the increase over the allowance of 1920 on the company's basis of $259,055.

The customary allowance in capital for materials and supplies properly covers only stores kept on hand for operating purposes, and materials to be used in capital additions to plant should not be included. The evidence shows, however, that the figure here presented by applicant includes all materials and supplies on hand, except those to be used on the large construction jobs handled by a special force. A reasonable allowance for this item is $2,400,000 and the increase from the sum considered in previous decisions is $1,050,000 instead of $1,473,000 as proposed.

The figures for additions to capital while in general correct are apparently not entirely accurate, the evidence showing that the effect of probable abandonments of property during 1921 has not been considered. Against this omission must be reckoned the omission from the estimates of expenditures, which cannot be foreseen but which will nevertheless

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have to be made. It is apparent that the figures cannot be used as the basis of precise calculations but they may reasonably be used in this surcharge proceeding.

Money invested since 1918 has necessarily been borrowed at abnormal interest rates and a return of nine per cent on recent additions to property, as distinguished from the older properties, cannot be considered excessive and has been allowed in other decisions of this Commission for similar additions. In addition to providing a fair return the net revenue must be sufficient to permit the setting aside of an annuity to cover the depreciation of property. The reasonable requirements for depreciation and return may be summed up as follows:

TABLE No. IV.

Net return found reasonable in Decision No. 7823		$7,468,460 00
Additional capital invested to June 30, 1921:		
Net additions to operative property	$15,135,165 00	
Increase in working cash capital	600,000 00	
Increase in materials and supplies	1,050,000 00	
	$16,685,165 00	
Less amount considered in Decision No. 7823	6,500,000 00	
	$10,185,165 00	
Return at 9 per cent		916,665 00
Total return		$8,385,125 00
Depreciation as allowed in Decision No. 7823	$1,450,000 00	
Additional allowance to cover additions to property	144,055 00	
Total depreciation		$1,594,055 00
Total for depreciation and return		$9,979,180 00

To earn the net revenue shown applicant must evidently receive a gross revenue equal to the sum of its operating expenses and net revenue. The resulting set up of Revenue and Expenses, found necessary is shown in Table No. 5.

TABLE No. V.

Estimate of Reasonable Operating Expenses Pacific Gas and Electric Company 1921 Basis.

Gross revenue (existing basic rates)—		
From consumers		$21,341,887 00
Interdepartment		382,803 00
Total		$21,724,690 00
Operating expenses:		
Maintenance		$2,100,000 00
Operating (exclusive of fuel oil and purchased power)		3,520,000 00
Operating—fuel oil		3,000,000 00
—purchased power		1,360,000 00
General and administrative		725,000 00
Taxes		2,213,900 00
Insurance reserves		120,000 00
Uncollectible accounts		78,000 00
Total		$13,116,900 00
Net revenue available for depreciation and return (without surcharge)		$8,607,790 00
Estimated reasonable net revenue for depreciation and return		9,979,180 00
Deficit below reasonable		1,371,390 00

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The above estimated deficit below a reasonable return is equivalent to 6.35 per cent of the basic rates, from which it may readily be concluded that under present conditions of labor and supply costs and general operations if the utility is to be authorized rates sufficient to yield it the return found reasonable a surcharge of that amount is necessary.

Applicant is actively engaged in the development of additional power and the extension of its system to meet the demands of the territory served.

If this increasing demand is to continue applicant, even in a period of temporary depression, must be in a financial position to obtain the necessary funds and if this can be accomplished by reasonable rates same should be done in order that the company may function continuously and render adequate service and be in a position to meet the demands on its system, develop power and serve economically. This company was not allowed to earn more than a reasonable return during periods of general increased profits in other lines of industry and its position should if possible be maintained at this time. The maximum average increase in rates on applicant's system authorized by this Commission has been approximately 32 per cent over the rates in 1916 and with the continuance of the surcharge herein found necessary this percentage increase will be reduced to a total average of 22 per cent. When it is considered that the price of oil has increased 150 per cent and the cost of other commodities used in the operation of such a utility is in most instances at least 50 per cent in excess of pre-war costs, it would not appear that the surcharge herein authorized is in any way unreasonable to applicant's consumers even in this period of depression.

In view of the fact that the surcharge herein authorized is to become effective on and after April 10, 1921, that the present tendency is for reducing rather than increasing cost of operation and that the period of the surcharge covers a time when greater reduction may occur than during the calendar year 1921, I recommend that the surcharge to be made effective be 6 per cent.

I recommend the following form of order:

ORDER.

Pacific Gas and Electric Company having filed its second supplemental application for authority to continue the surcharge of 15 per cent heretofore authorized in Decision No. 7823 pending final determination of electric rates on its system, hearings having been held, the matter being submitted and now ready for decision, and the Commission having heretofore in its Decision No. 8835, dated April 9, 1921, reduced the 15 per cent surcharge to 10 per cent and having ordered that all sums collected upon said 10 per cent surcharge be impounded by Pacific Gas

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and Electric Company subject to the order of this Commission in its final decision in this Second Supplemental Application No. 5567:

The Railroad Commission hereby finds as a fact that a surcharge of 6 per cent applied to the bills for electric service based upon the regular schedules and basic charges as distinguished from the existing surcharge of 10 per cent now in force and effect is a just and reasonable surcharge to be charged and collected for electric service by Pacific Gas and Electric Company.

It is hereby ordered, that Pacific Gas and Electric Company be and the same is hereby authorized to charge and collect in addition to its regular charges for electric service, exclusive of the present 10 per cent surcharge, a surcharge of 6 per cent, the same to be effective for metered service based upon all meter readings taken on and after June 10, 1921, and for flat rate service rendered on and after June 1, 1921.

It is hereby further ordered, that in pursuance with the provisions of this Commission's Decision No. 8835 Pacific Gas and Electric Company be directed to refund or credit to consumers receiving electric service from its system the difference between the 10 per cent surcharge heretofore authorized in this Commission's Decision No. 8835 and the surcharge of 6 per cent herein authorized upon all bills rendered for metered service based upon regular meter readings taken on and after April 10, 1921, and prior to June 10, 1921, and for flat rate service rendered on and after April 1, 1921, and prior to June 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of May, 1921.

DECISION No. 9018.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING INCREASE IN RATES.

Supplemental Application No. 5585.

Decided May 27, 1921.

ELECTRIC RATES—ESTABLISHMENT OF—FIXED PERIODS FOR.—It has not been the practice of the Commission in surcharge or general rate proceedings to fix rates for a given calendar year or to reimburse the utility, especially in surcharge proceedings, for lack of earnings in preceding periods.

ELECTRIC SERVICE—REDUCTIONS IN—BUSINESS DEPRESSIONS.—An electric utility serving a large number of industrial and manufacturing consumers is subject to a greater percentage reduction in its sales due to economic depression than is a utility engaged principally in serving domestic and agricultural consumers.

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INTERCONNECTIONS—WHOLESALE TRANSFER OF POWER.—It is essential that an electric utility immediately proceed with the construction of interconnections to permit the sale of surplus power particularly when it has recently brought in new hydro-electric developments which increase its output approximately 45 per cent while its sales have fallen off due to business depression.

COMMERCIAL EXPENSES—ADVERTISING—ALLOWANCES FOR.—Expenses of reasonable advertising and solicitation of business, provided it is not directed to the taking of business from other companies, should be allowed, and in the establishment of rates the Commission will make provision for such expense.

TAXES—METHOD OF COMPUTING ALLOWANCES FOR.—State taxes are allowed equal to the amount which becomes a lien on the property on the first Monday of March or 7¼ per cent of the past year's gross electric revenue. Such a basis is considered reasonable in that no allowance is made for taxes in determining working cash capital.

NEW INVESTMENTS—RETURN ON.—An electric utility which increases its hydro-electric capacity in one installation by 60 per cent and its total plant capacity by approximately 45 per cent can not expect present consumers to pay rates which will provide a full return upon such additions, particularly in view of the fact that due to present conditions it estimates an actual decrease in the amount of energy sold. Any additional compensation to which the utility may be entitled either in the form of development cost or amortization of losses during the period in question should be considered in later proceedings.

Applicant herein authorized to charge in addition to its regular rates, exclusive of present 10 per cent surcharge, a surcharge of 6 per cent effective for all meter readings made on and after June 10, 1921, and for flat rate service rendered on and after June 1, 1921. It is directed to refund to consumers the difference between the 10 per cent surcharge collected since April 10, 1921, and the surcharge herein established effective June 10, 1921.

Guy C. Earl and *Chaffee E. Hall*, for Applicant.
R. N. Wolfe, for city of Pittsburg
Archibald Yell, for city of Sacramento.
George Lull and *John J. Dailey*, for city of San Francisco.
Leon Gray, for city of Oakland.
John T. York, for city of Napa.
Frank V. Cornish, for city of Berkeley.
W. J. Locke, for city of Alameda.
D. J. Hall, for city of Richmond.
I. J. Truman, for the Engels Copper Mining Company.
F. S. Brittain, for California Farm Bureau Federation.
John J. Dailey, *Frank V. Cornish*, *Leon E. Gray* and *Archer Bowden*, for cities of Daly City, Morgan Hill, Petaluma, San Leandro, Stanford University, Redding, Alviso, Pacific Grove, Colusa, Healdsburg, Marysville, Hamilton City Chamber of Commerce, Oakdale, Woodland, Pittsburg, Emeryville, Red Bluff, King City, Orland, Calistoga, Arbuckle Chamber of Commerce, Vacaville, Martinez, San Mateo, Redwood City, Santa Rosa, Corning, Placerville, Auburn, Rio Vista, Larkspur, Turlock, Watsonville, Burlingame, Ross, Sonora, Walnut Creek, Corte Madera, Piedmont, Dunsmuir, Mountain View, Albany, Antioch, Rocklin, Pinole, town of El Cerrito.
R. G. Clifford, for the Association of Reclamation Districts.
H. F. Chadbourne and *John S. Partridge*, for Cowell Portland Cement Company.
Jesse H. Steinhart, for San Francisco and Sacramento Railroad Company.
Chas. W. Slack and *Edgar T. Zook*, for Natomas Consolidated Company.

ROWELL, *Commissioner*.

OPINION.

Great Western Power Company of California, hereinafter referred to as applicant, in this supplemental application requests that the temporary surcharge of 15 per cent heretofore authorized by this Commission in its Decision No. 7824, dated June 30, 1920, be continued pending the final fixing of definite rates by this Commission. Applicant alleges in

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support of its request that the continuation of the present surcharge is necessary to give it the return found to be reasonable as set forth in this Commission's Decision No. 7824, plus a reasonable return upon the net additions and betterments to operative property made since that time.

The 15 per cent surcharge heretofore referred to was authorized by this Commission for a period of nine months ending April 10, 1921. Delay in filing this supplemental application coupled with extended cross-examination of applicant's witnesses made it impossible to complete the hearings by April 10, 1921, and, after consideration of the evidence then before it, the Commission on April 9, 1921, issued its Decision No. 8836 reducing the surcharge from 15 per cent to 10 per cent and continuing in effect the reduced surcharge with the provision that any further reduction might be retroactive to April 10, 1921.

After further hearings were held and additional evidence introduced the matter was submitted on May 21, 1921, and is now ready for decision on the continuation of the surcharge. As is customary, it was stipulated that the evidence in the so-called "main case" together with records of former proceedings before this Commission involving Great Western Power Company of California and affiliated companies, and the various official records on file with the Commission, might be considered in evidence.

Following the close of the submission of evidence a reduction of twenty-five cents per barrel in the price of fuel oil occurred, which, if continued, will somewhat reduce applicant's cost of operation. At the time of oral argument on May 21 it was stipulated that advice of the reduction of oil price received by the Commission might be considered in evidence.

Briefs in the form of written or oral arguments were submitted by Chaffee E. Hall for applicant, F. S. Brittain for California Farm Bureau Federation, J. J. Dailey on behalf of certain municipalities, and I. J. Truman for the Engels Copper Mining Company.

A complete valuation of the property and analysis of the finances and operations of this utility are now being made by this Commission, but will probably not be completed prior to the end of this year. At the time the surcharge was first authorized pre-war earnings were checked against available information and accepted as a measure of the fair return on the property then existing. The surcharges authorized have been based upon continuing this same return on existing properties and the addition of a fair return on the properties added since. The same procedure will be followed in this instance. It is, of course, understood that findings herein made are for the purpose of the temporary rates only and are in no way to be considered as precedents either as to the larger phase of this application or as to any other matter.

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It is urged by applicant that the continuation of the 15 per cent surcharge pending the final determination of rates is necessary to maintain the net earnings of the company to a level heretofore found reasonable. In general protestants urged that considering the calendar year 1921, in which a 15 per cent surcharge has been applicable for three months and ten days, no surcharge is necessary for the remainder of the period. It has not been the practice of this Commission in surcharge or general rate proceedings to fix rates for a given calendar year or to reimburse the utility, especially in surcharge proceedings, for lack of earnings in preceding periods. This matter being a subject for consideration in the main proceeding, should, as far as possible, be left to the main proceeding for more careful consideration than can be given it in connection with the present proceeding.

This Commission, in its Decision No. 9017 in Application No. 5567, this day decided, in determining whether or not a surcharge should be continued on and after April 10, 1921, on Pacific Gas and Electric Company's system, has based its conclusions upon a consideration of the cost of operation, under conditions of average water supply and present cost of fuel oil. This same procedure will be followed herein. The last surcharge was fixed for the period ending April 10, 1921, and the consideration of the surcharge herein will be for the period commencing at the end of that surcharge period. To this end consideration will be given to a full year of which 1921 is typical rather than to unusual favorable or unfavorable conditions which may exist.

In support of its application Great Western Power Company of California presented a number of exhibits setting forth its estimated revenue and expenses for the year 1921, together with an estimate of the additional capital invested in its Caribou power plant and transmission line and its general transmission and distribution system which would be operative for the year 1921, from which it concludes that if the 15 per cent surcharge be continued throughout the year the net revenue after depreciation will not be greater than a reasonable return upon its operative property. The following table, being applicant's Exhibit A-R sets forth the reported revenues and expenses for the year 1920 and applicant's estimate for the year 1921, assuming the continuation of the surcharge for the entire year:

TABLE No. 1.

Condensed Statement of Operations, Great Western Power Company of California. 1920, Actual—1921, Company's Estimate. Exhibit A-R.

Income—	1920, actual	1921, estimated
Electric	$5,411,368 00	$6,144,557 00
Steam heat	292,225 00	325,000 00
Other	1,928 00	2,000 00
Water sales—net	99,188 00	75,000 00
Total	$5,804,709 00	$6,546,557 00

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Expense—		
Production	$1,212,341 00	$888,800 00
Transmission	137,924 00	137,700 00
Distribution	338,978 00	316,300 00
Steam heat	92,069 00	92,000 00
Commercial	194,090 00	245,000 00
General and miscellaneous	137,020 00	178,000 00
Rent	23,123 00	23,000 00
Taxes	451,436 00	570,000 00
Uncollectible electric bills	15,000 00	12,000 00
Valuation expense	15,000 00	17,500 00
Protection of property		60,000 00
Depreciation (as set up)	360,000 00	360,000 00
Total	$2,976,981 00	$2,900,300 00
Net revenue	$2,827,728 00	$3,646,257 00
Interest on new capital		1,147,077 00
Balance, comparable with net revenue for 1920		$2,499,180 00
Net revenue for 1920		2,827,728 00
Difference		$328,548 00

Applicant in its oral argument contends that it is entitled to the full allowance estimated by the Commission in Decision No. 7824 on the basis of 1920, plus 11 per cent per annum for depreciation and return on additional capital, mainly in the Caribou plant, which it estimates will be operative during the year 1921. This total it sets up as $3,797,077, exclusive of the depreciation allowance of $360,000 heretofore made.

In comparison with the above estimate Attorney J. J. Dailey, representing the municipalities, submitted a setup for 1921 summarized in the following table, which, in addition to certain changes in figures due to conclusions from evidence, takes account of the change in price of oil effective May 13, 1921, and the probable sale of power to Pacific Gas and Electric Company as estimated by the Commission's engineers, which was not in full included in the original estimate of the company:

TABLE No. II.

Great Western Power Company of California, Condensed Operating Statement—1921 Estimate. Revenue With 15 Per Cent Surcharge Up to April 10, 1921—(Municipalities Estimate) Summarized.

Revenue—		
Electric revenue		$5,366,820 00
Steam heat		325,000 00
Water sales		75,000 00
Other sales		2,000 00
		$5,768,820 00
Estimate sales Pacific Gas and Electric Company		455,000 00
		$6,223,820 00

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Expense—	
Production (less reduction in oil price of 25 cents per barrel)	$854,275 00
Transmission	137,700 00
Distribution	316,300 00
Steam heat	92,000 00
Commercial	215,000 00
General	148,735 00
Rent	23,000 00
Taxes (chargeable to operating)	546,000 00
Uncollectible bills	12,000 00
Valuation expense	17,500 00
Protection of property	60,000 00
Total expense	$2,422,510 00
Net for depreciation and return	$3,801,310 00
Former allowance for depreciation	360,000 00
Net	$3,441,310 00

In several instances Mr. Dailey accepted certain of the company's estimates for purposes of his argument without agreeing that the same were entirely justified by the evidence, desiring apparently to show that even accepting many of applicant's estimates in his opinion no further surcharge was necessary. He pointed out that the net of $3,441,310 estimated would be not to exceed $20,000 below a reasonable return on the property which might be considered operative.

Applicant's estimates were subject to extensive examination by both the Commission and attorneys for protestants, special reference being made to applicant's estimates of revenue, production expense, maintenance of property, certain items of commercial and general expense, and to the amount of property which would be operative during 1921.

The estimate of revenue submitted by applicant was supported by minor exhibits showing a general falling off of certain classes of business as compared with the year 1920, and explained by testimony to the effect that a temporary depression in business had reduced applicant's industrial sales. Applicant is subject to a greater percentage reduction in its sales due to economic depression than is Pacific Gas and Electric Company because a larger percentage of its revenue is derived from industrial and manufacturing service. The temporary depression existing makes difficult the correct estimating of applicant's revenue. Applicant's general sales manager has apparently estimated sales after fairly careful study of conditions and it would appear, in view of his general accuracy in the estimate for 1920, that his figures might be reasonably depended upon. Analysis of the actual records for the first months of this year show in general a greater depression than estimated for the entire period. As the surcharge period should not continue for more than twelve months at the most, during which probable complete recovery from the depression may not occur, the estimate presented will be accepted for this proceeding.

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The estimated revenue from the regular business of applicant for the year 1921 based upon the rates exclusive of any surcharge for the entire year is $5,150,000. Applicant estimated in its exhibits a total revenue from the sale of surplus power to Pacific Gas and Electric Company of $200,000. In accordance with an agreement reached between the companies during this proceeding Pacific Gas and Electric Company agree to purchase from applicant at a rate to be determined by the Commission, all surplus power with which it can supplant steam produced power. Assistant Chief Engineer L. S. Ready of the Railroad Commission submitted an estimate of a total of 70,000,000 kilowatt hours to be transferred under this agreement during the year. This amount has been questioned by the applicant on the ground that present interconnections are not capable of supplying that amount of power and at present no arrangements have been made for enlarging the interconnections. It is essential to applicant if it desires to maintain its financial position that it and Pacific Gas and Electric Company arrange so that the power will be absorbed.

In view of the present economic conditions, the large proposed production of power by use of oil on Pacific Gas and Electric Company's system, and the necessity of applicant selling all surplus power possible to offset its increased fixed charges and the facts before the Commission relative to possibilities of interconnection, I am convinced there is a way to have the power used if the matter is gone at with determination. For the purpose of this proceeding the estimate of 70,000,000 kilowatt hours to be sold to Pacific Gas and Electric Company will be accepted, and it will be the duty of the companies and not the Railroad Commission to see that the power is made use of.

The original rate recommended by Mr. Ready to be charged for this surplus power averaged approximately 7½ mills per kilowatt hour and would result in a total estimated revenue to applicant of $525,000. Since this report was made the price of oil has been reduced 25 cents per barrel, and, as this power is to be delivered to supplant oil produced power, the rate must necessarily be such as to encourage the purchase and use of the power by Pacific Gas and Electric Company. A revised estimate of the reasonable rate for this surplus results in an average charge of approximately 6.7 mills per kilowatt hour, so that the total revenue to be received from this service is $469,000.

It appears that applicant's power supply is such that even with an average water power supply its steam produced power need not be in excess of that estimated under the conditions existing for this year. Considerable question was raised regarding production and transmission expense estimated for the year 1921, directed largely to the main-

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tenance of equipment made necessary by the heavy operations of the plants during the past years. The steam plants will be operated to only a small extent during the present year, but it is essential from an operating standpoint that they be put in first-class condition. Applicant must, in view of this allowance, see that all necessary maintenance be done.

Outside of the correction for reduction in the price of fuel oil and labor costs, I believe that for the surcharge proceeding the estimates may be accepted. The reduction in the production expense resulting from the oil price reduction of 25 cents per barrel applied to the twelve months basis considered will be $63,000. Applicant's estimate of labor includes the higher wages in effect for one month of 1921. A reduction of $5,000 in expense should be made in arriving at the estimates used herein.

Protestants urged that applicant's estimate of cost for advertising and new business expense is either unnecessary or not chargeable to the operations of the present year. Applicant has not been carrying active sales work for some time and, in view of its increased supply of power and the general depression, proposes considerable increase in its advertising and new business expense. Reasonable advertising and solicitation of business, provided it is not directed to the taking of business from other companies, should be allowed. I believe, however, that part of the new business expense for this year should be charged to the business which is taken on and not to the depressed business which is estimated for this year. Applicant's estimate for commercial expense will be reduced to $225,000.

The general and miscellaneous expense appears to show a marked increase, a large part of which is explained by an examination of the details of the account. Attorneys for protestants take exception to the item of salaries of general officers included in the account. Applicant met these arguments not by urging the value of the personal services concerned but with the contention that the charges to the account as a whole must be considered and especially mentioned the item of rent for general office quarters. From a consideration of total general expense as compared with the gross revenue for this utility and for other utilities I am convinced that for this proceeding an allowance such as set forth in applicant's estimate cannot fairly be charged to operations. Without passing upon the justification of the entire amount at this time it appears reasonable to reduce the amount chargeable to operations for the year 1921 from the estimate of $178,000 to $150,000.

Applicant's estimate of taxes for the year 1921 is a total of $570,000. The question of basis of estimating taxes was the subject of special consideration in connection with the proceeding involving the

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surcharge on the Pacific Gas and Electric Company's system. Applicant has estimated its state taxes upon the "payment" basis as distinguished from the "accrual" basis. Without discussing in detail the basis of the conclusion found in the proceeding in Application No. 5567, involving the Pacific Gas and Electric Company's surcharge, it appears that the same basis should be followed in this proceeding. State taxes will be allowed equal to the amount which became a lien on the property on the first Monday of March, 1921, or 7½ per cent of 1920 gross electric revenue. This basis appears especially fair when it is considered that in determining allowable working cash capital taxes are not included and further in view of the fact that the surcharge herein authorized is for the period commencing April 10, 1921. The total allowance for all taxes in connection with the determination herein will be $618,000.

Applicant has submitted an estimate of $60,000 as the cost of protection of property, incurred in connection with a strike of its employees early in 1921. As the surcharge to be fixed herein is to commence with April, 1921, and is based upon existing conditions, and as the period during which the expense was incurred has been in general prior to April, it does not appear necessary to consider this item in connection with this proceeding. If further consideration should be given to a possible amortization of this amount it may be brought up in the main proceeding.

In Decision No. 7824 fixing the surcharge of 15 per cent the Commission found that for the year 1920 applicant was entitled to an annual net return after accounting for $360,000 for depreciation, of $2,610,000. This amount includes the sum of $110,000, being 11 per cent for interest and depreciation on estimated net additions to operative property of $1,000,000 made subsequent to the period for which the return was accepted as reasonable.

Applicant urges that it should be allowed 11 per cent per annum for return and depreciation upon the additional investment in its general system made since the previous decision, and upon the entire Caribou development for the period during which its various units will be in operation. In its Exhibit No. A-Q it estimates that the total investment in the Caribou plant and transmission line which will be in part operative for the year 1921 equals $15,455,320, and that for the months in which the various units are in operation it should be allowed a total amount for return and depreciation of $1,092,077.

Attorneys for protestants were not willing to accept the estimates of applicant as to the reasonable cost of the Caribou development. It was, however, finally agreed that for the basis of the surcharge proceeding only the Commission accept the costs as reported as a basis of determining what amount applicant might be entitled to earn.

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The general additions to the company's property exclusive of Caribou were the subject of considerable cross-examination, it being urged by protestants that in view of the depression in business applicant could not show justification for the expenditure of approximately $1,000,000 estimated by it for the year.

Expenditures for 1921 will probably be greater than 1920 as a result of the new business campaign inaugurated but much of this will not result in increased business until the latter part of the year. An estimate of $700,000 additions and betterments since the last decision appears reasonable to allow to bring the general basis up to the middle of 1921. This includes $270,000 additions up to December 31, 1920, not included heretofore and $430,000 covering one-half of additions and betterments estimated to be operative for 1921. The reasonable comparative return for 1921, not including return on Caribou will be $2,687,000.

The reasonable amount on its investment in the Caribou development which applicant is entitled to earn during the present year is difficult of definite determination. The contention of applicant that it should be allowed a full return upon all of the money invested for the period when the plant is physically in operation, even during the present depression when an actual decrease in business is estimated, does not appear to be reasonable. Applicant has increased its hydro-electric capacity in one installation by 60 per cent and its total plant capacity by approximately 45 per cent. If it sells no more power than it originally estimated to the Pacific Gas and Electric Company it would without question be unfair to the existing consumers to require them to bear the entire additional burden this year. Applicant cannot expect during a period when its business does not increase to receive a full return on all additions immediately upon an increase of approximately 40 per cent in its fixed charges and plant capacity.

It appears to me in many respects the return which applicant can reasonably receive on this investment is the net earning which it will obtain as a result of the sale of surplus power to Pacific Gas and Electric Company as herein provided, and the earning which it will receive from a surcharge similar to that found reasonable on Pacific Gas and Electric Company's system. If such a surcharge does not result in excess of a reasonable return on the operative property no injustice will be done to applicant's consumers. This is apparently the maximum which it can expect to earn during this year. Any additional compensation to which applicant may be entitled either in the form of development cost or amortization of losses during the period in question must be the subject for consideration in the "main" proceeding.

The Commission's Assistant Chief Engineer L. S. Ready recommended that an average investment of $8,000,000 be considered as the

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operative investment in the Caribou development for the year 1921 on the basis of 70,000,000 kilowatt hours sales to Pacific Gas and Electric Company and in view of the fact that the plant would not be fully loaded and only in operation for approximately seven and one-half months. This is comparable with applicant's estimate, which is equivalent to an average investment of $10,000,000.

The surcharge authorized to be charged by Pacific Gas and Electric Company in Decision No. 9017 in Application No. 5567, this day decided, is 6 per cent. The following table sets forth the estimated revenue based on the application of a 6 per cent surcharge for an entire year and the operating expenses and fixed charges for the same period as herein allowed:

TABLE No. III.

Reasonable Operating Revenues and Expenses, Great Western Power Company of California, Year Beginning April, 1921.

Revenue—	
Electric—regular consumers	$5,459,000 00
Electric—Pacific Gas and Electric Company	469,000 00
Steam heat	325,000 00
Other	2,000 00
Water sales—net	50,000 00
Total	$6,305,000 00
Operating expenses—	
Production	$825,000 00
Transmission	137,000 00
Distribution	313,000 00
Steam heat	92,000 00
Commercial	225,000 00
General and miscellaneous	150,000 00
Rent	23,000 00
Taxes	618,000 00
Uncollectible electric bills	12,000 00
Valuation expense	17,500 00
Depreciation (on original 1918 basis)	360,000 00
Total	$2,772,500 00
Net revenue after depreciation on 1918 property	$3,532,500 00
Net on property exclusive of Caribou and transmission line	2,687,000 00
Balance for depreciation and return on Caribou development	$845,500 00

There is some question regarding proper rates for depreciation and return to be allowed on the Caribou investment. It will be noted that the sum of $845,500 which the above table shows will be available for these purposes is equivalent to 10 per cent for depreciation and return on an average operative investment of $8,455,000 or on the basis requested by applicant, 11 per cent on $7,700,000. For the purposes of temporary rates this can not be considered as unfair to either consumers or the utility.

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I recommend the following form of order:

ORDER.

Great Western Power Company of California having filed its supplemental application for authority to continue the surcharge of 15 per cent heretofore authorized in Decision No. 7824 pending final determination of electric rates on its system, hearings having been held, the matter being submitted and now ready for decision, and the Commission having heretofore in its Decision No. 8836, dated April 9, 1921, reduced the 15 per cent surcharge to 10 per cent and having ordered that all sums collected upon said 10 per cent surcharge be impounded by Great Western Power Company of California subject to the order of this Commission in its final decision in this supplemental application No. 5585:

The Railroad Commission hereby finds as a fact that a surcharge of 6 per cent applied to the bills for electric service based upon the regular schedules and basic charges as distinguished from the existing surcharge of 10 per cent now in force and effect is a just and reasonable surcharge to be charged and collected for electric service by Great Western Power Company of California.

It is hereby ordered, that Great Western Power Company of California be and the same is hereby authorized to charge and collect in addition to its regular charges for electric service, exclusive of the present 10 per cent surcharge, a surcharge of 6 per cent, the same to be effective for metered service based upon all meter readings taken on and after June 10, 1921, and for flat rate service rendered on and after June 1, 1921.

It is hereby further ordered, that in pursuance with the provisions of this Commission's Decision No. 8836 Great Western Power Company of California be directed to refund or credit to consumers receiving electric service from its system the difference between the 10 per cent surcharge heretofore authorized in this Commission's Decision No. 8836 and the surcharge of 6 per cent herein authorized upon all bills rendered for metered service based upon regular meter readings taken on and after April 10, 1921, and prior to June 10, 1921, and for flat rate service rendered on and after April 1, 1921, and prior to June 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of May, 1921.

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DECISION No. 9019.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE AND SALE OF BONDS.

Application No. 6640.

Decided May 28, 1921.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8819, dated April 2, 1921, in the above entitled matter, authorized Southern California Gas Company to issue and sell $1,500,000 of first and refunding mortgage bonds, subject, among others, to the condition that none of the bonds be delivered until the Commission by supplemental order has authorized applicant to execute a first and refunding mortgage; and

Whereas, applicant on May 27, 1921, filed with the Commission a copy of its proposed mortgage or deed of trust and such mortgage or deed of trust being in satisfactory form;

It is hereby ordered, that Southern California Gas Company be and it is hereby authorized to execute a mortgage or deed of trust substantially in the same form as the mortgage or deed of trust filed in the above entitled matter on May 27, 1921; provided—

That, the authority herein granted to execute the mortgage or deed of trust is for the purpose of this proceeding only and is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which such mortgage or deed of trust may be subject.

It is hereby further ordered, that the order in Decision No. 8819, dated April 2, 1921, be and it is hereby modified so as to permit Southern California Gas Company to use the proceeds obtained from the sale of the $1,500,000 of bonds or from the interim certificates heretofore sold in lieu of such bonds, to reimburse its treasury on account of surplus earnings used to pay for additions and betterments; or to pay off floating debt incurred to pay for additions and betterments heretofore installed; or to pay for additions and betterments hereafter to be installed, all as more particularly set forth in this application; provided—

That, the proceeds from the $1,500,000 of bonds may be used to finance only the cost of such additions and betterments referred to in this application as represent fixed capital as defined in the classification of accounts prescribed by this Commission.

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It is hereby further ordered, that the order in Decision No. 8815, dated April 2, 1921, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-eighth day of May, 1921.

DECISION No. 9020.

IN THE MATTER OF THE APPLICATION OF THE CITY OF EUREKA, A MUNICIPAL CORPORATION, FOR AN ORDER FIXING THE JUST COMPENSATION TO BE PAID FOR THE LANDS, PROPERTIES, AND RIGHTS OF THE HUMBOLDT TRANSIT COMPANY, A CORPORATION.

Application No. 6727.
Decided May 28, 1921.

VALUATIONS—CONDEMNATION PROCEEDINGS—EARNINGS.—In fixing the fair value to be paid by a municipality for street railway properties, the Commission holds that when such system has not been able to earn sufficient revenue to meet operating expenses, including depreciation and taxes, and whatever disbursements were made, were at the cost of deferred maintenance and the ignoring of depreciation, the just compensation to be paid for such property must be materially reduced from what would be allowed a going concern doing a profitable business.

VALUATIONS—CONDEMNATION PROCEEDINGS—GOING-CONCERN VALUE—FRANCHISE VALUE—DEVELOPMENT COST.—In giving consideration to the factors of franchise value, going-concern and development cost, as regards a materially depreciated property which is not earning operating expenses and has little hope of so doing in the future, the Commission holds that their bearing on present fair value is negative and can only result in deductions from any figure found by a consideration of the positive elements of value. Deductions must be made from the present value because the system taken as a whole is not in an efficient operating condition, depreciation has not been taken care of and large sums will be required to take care of deferred maintenance and renewals.

The sum of $100,000 is found to be the just compensation to be paid by the city of Eureka for the street railway properties of the Humboldt Transit Company.

J. F. Coonan, for Humboldt Transit Company.
Hon. Geo. W. Cousins and *James W. Henderson*, for city of Eureka.
H. F. Charters, for Stockholders' and Bondholders' Committee.

LOVELAND, *Commissioner.*

OPINION.

The city of Eureka (hereinafter referred to as the city) asks that the Commission fix the just compensation to be paid by the city for all operative property of the Humboldt Transit Company (hereinafter referred to as the company) including all tracks, roadbeds, franchises, poles, trolley lines, rolling stock, machinery, lands, and buildings of every kind and character used in the operation of the streetcar system.

The city proposes to submit on June 20, of this year, to the voters of Eureka, a proposition to acquire under eminent domain proceedings, or otherwise, the property referred to. This is a proceeding, therefore, under section 47 of the Public Utilities Act.

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A public hearing was held in Eureka on the 19th instant under an order of the Commission directing the company to appear and show cause why the Commission should not proceed to fix and determine the just compensation to be paid for the property referred to. All of the parties to the proceeding were represented at that hearing and testimony and exhibits were introduced. It was also stipulated that the annual reports of the company, on file with this Commission, should be considered in evidence in this proceeding. Mr. H. F. Charters, representing a bondholders' and stockholders' committee, filed copy of an agreement entered into on December 20, 1920, between the company, on the one hand, and the owners and pledgees of all outstanding stock and bonds and certain other creditors, on the other hand. It appears from the terms of this agreement that the committee has full power to transfer the property in question from its present owners to the city and questions of ownership and title are not at issue.

Valuation of property.

The Commission instructed its engineering department to make a valuation of the property and to prepare a report. This was done and copies of the report were furnished prior to the hearing to the city and to the company. This report (Valuation Report Humboldt Transit Company, Eureka, California, by Richard Sachse, Chief Engineer, dated May 14, 1921) was introduced as Commission's Exhibit No. 1. This report contains a detailed description of the property based on an inventory made on the ground. The description of the property as contained in Commission's Exhibit No. 1 is herein referred to as a description of the property and rights sought to be acquired by the city and is attached hereto as Exhibit "A."

Neither the city nor the company submitted separate appraisals or valuations and no objections to the report and testimony of our engineers were made by either party.

As is usual in cases of this nature our engineers made an estimate of the reproduction cost based on unit prices for labor and material during a reasonable construction period prior to the filing of the application. The one year ending April 9, 1921 (the date the application was filed) is considered a reasonable construction period. There was also made an estimate of the present condition of the property as compared with new and of the reproduction cost less depreciation. The three figures found were as follows:

Reproduction cost	$439,627 00
Reproduction cost less depreciation	234,951 00
Present condition, 53 per cent of new.	

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There was also made an estimate of the historical cost of the property based, to a large extent, on original cost data. The following figures were found:

Historical reproduction cost	$249,092 00
Historical reproduction cost, less depreciation	133,115 00
Condition per cent, 53.	

Commission's Exhibit No. 1 shows, and further testimony was given by the Commission's chief engineer on this point, that this street railway is now, and has been since 1912, operating at a loss. This was also the testimony of the company's general manager, Mr. J. W. Hale. An analysis of the company's revenues and expenses since 1912 (the first year that annual reports were filed with this Commission) shows that at no time has the company earned from its street railway business what may be considered a fair return on the investment or historical reproduction cost. Prior to 1915 when, in addition to its street railway operations, the company was engaged in the oil business, book profits were shown and dividends were distributed. Aside from the fact that it is doubtful, from such records as are before the Commission, whether or not such profits were actually earned, there is no doubt that the street railway operations alone were not profitable at any time during the company's history. It is apparent at this time that the company has not, during the last ten years, been making earnings sufficient to meet its operating expenses, including depreciation and taxes. The earnings were not sufficient for any return on investment and such payments as were made for bond interest and other purposes, disbursing apparent profits, were paid out of capital and at the expense of deferred maintenance and by ignoring depreciation. The record shows that rail renewals have not been made since 1908 and that, at this time, the company is facing very considerable maintenance and renewal expenses, the result largely of deferred maintenance and deferred renewals.

These facts, it is clear, have a marked influence on the present fair value of this property and on the amount of just compensation. The property can be considered a going concern only in the sense that it is, at this time, in actual operation and can be continued in operation, but not in the sense that it is doing a profitable business, or even paying its way. Operations are being carried on at a loss.

The Commission's chief engineer testified, and this testimony was also concurred in by the company's general manager, that there is little, if any, prospect of a favorable change in the future as regards the earning capacity of this property.

It was testified that the alternative to a sale to the city would be the discontinuing of operations and the scrapping of the street railway plant. An estimate was made by our engineers of the salvage value

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under favorable conditions in case of abandonment of service, and keeping in mind that the owner is obligated, under the terms of the franchise, to put the city streets back to their original condition after the removal of the tracks. Under these circumstances, the salvage value of all property considered in this proceeding is estimated to be between $40,000 and $50,000.

The system might be rehabilitated, the present equipment might be scrapped, and modern one-man car service be instituted. This would require a very considerable outlay of additional capital money. This required new capital added to the present investment would result in an investment figure so high that even with better service and larger income the company's ability, under reasonable rates, to earn a fair return is doubtful. A complete financial reorganization, I believe, would be necessary to effect a rehabilitation and continued operation of this street railway.

A further factor having a bearing on the value of the property as a going concern should be noted. Commission's Exhibit No. 1 shows that there is not included in the property to be transferred to the city under this application a certain rotary converter, together with switchboard equipment and certain transformers. These operating plant items are not owned by the company but are leased to it and either this equipment, or other equipment of a similar nature, would have to be bought or leased by the city if the street railway system were taken over under municipal ownership and operation. The road cannot operate without such equipment. These items were not valued by our engineers and their purchase is subject to direct negotiation between the city and the owners.

In my opinion, it does not admit of doubt that, in this case, the factors of franchise value, going-concern, development cost, a reasonable forecast for the future, and the general operating condition and operating efficiency of the plant (as distinguished from the present condition of the individual depreciated items of the physical property) are all negative quantities. Such weight as is to be given these factors in their bearing on present fair value and just compensation must, in the nature of the case, be deductions from any figure found by a consideration of the positive elements of value.

Company's financial condition.

The annual reports which are in evidence in this proceeding show that the company was organized on July 28, 1903, and has an authorized common stock issue of $1,000,000 divided into 10,000 shares of $100 each. Stock in the amount of $500,000 is outstanding. The discount on the stock outstanding is reported at $406,473.54. Prior to May, 1918, all of the company's outstanding stock was charged to road and equip-

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ment. In May, 1918, the company voluntarily transferred from its road and equipment account to discount on stock $406,473.54.

On December 31, 1920, the company reports $172,000 of bonds outstanding of a total authorized bond issue of $500,000. The bonds are dated October 1, 1904, bear 5 per cent interest and mature on October 31, 1934. Bonds in the amount of $211,000 have been issued from time to time. The company paid none of its bond interest due in 1920 and only part of such interest falling due in 1919. The company has also failed to pay interest on its floating indebtedness. The accrued and unpaid interest is reported on December 31, 1920, as $19,308.90. Default has also been made, it appears, on the sinking fund payments; such sinking fund liabilities being reported at $6,880 on December 31, 1920. On December 31, 1920, the company's notes and accounts payable are reported as $70,849.25. Adding to the notes and accounts payable the unpaid interest and other current liabilities, there results a total current liability of $97,038.15. The company's balance sheet as of December 31, 1920, is as follows:

HUMBOLDT TRANSIT COMPANY.

Balance Sheet as of December 31, 1920.

Assets.

Road and equipment	$233,676 10
Sinking funds	47 77
Miscellaneous physical property	54,313 60
Cash	5,955 26
Material and supplies	3,643 45
Discount on capital stock	406,473 54
Total assets	$704,109 72

Liabilities.

Capital stock	$500,000 00
Funded debt unmatured	172,000 00
Loans and notes payable	64,900 42
Audited accounts and wages payable	5,948 83
Accrued interest, dividends and rents payable	19,308 90
Other current liabilities	6,880 00
Tax liability	4,155 21
Sinking fund reserves	34,756 86
Debit balance	103,840 50*
	$704,109 72

*Deficit.

It will be noted that the investment on December 31, 1920, consisting of "Road and equipment" and "Miscellaneous physical properties" is reported at $287,989.70. This figure, however, does not represent actual cost for the reason that, in 1910, it appears the company took an inventory, made an estimate of property values, and wrote such estimates on its books. The figure may be compared, however, with the historical reproduction cost found by our engineers.

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Under the terms of the bondholders' and stockholders' agreement, heretofore referred to, provision is made for the distribution of the proceeds from the sale of the property, if such sale is made, to the bond and other security owners.

Findings of fact and conclusions on value.

The fair value of the property sought to be acquired by the city, in view of the facts and circumstances discussed in this opinion, lies, it appears to me, between, as the lower limit, the salvage value of the property in case operation is abandoned and, as the upper limit, the depreciated cost of the physical property minus certain deductions. Deductions must be made because of the facts that the system, taken as a whole, is not in a reasonably efficient operating condition, has not taken care of depreciation of the plant as a whole and requires the expenditure of large sums of money to overcome the effects of deferred maintenance and deferred renewals. The further fact that with continued operation large additional capital expenditures for new and more modern equipment will have to be made and that the track system, to a considerable extent, will have to be rehabilitated, must result in a further deduction from such fair value as would otherwise be found. These expenditures, it must be remembered, will have to be made regardless of ownership and regardless of whether the present owners retain the property, or whether the city buys and operates it.

If this property were, at this time, able to earn its way, including a fair return on a proper rate base or if, in the recent past, it had been able to earn its operating expenses plus a fair return; or if there were reasonable prospects of such a condition being brought about in the future, the fair value of the property, in my opinion, could not be less than its reproduction cost less depreciation plus a reasonable development cost (assuming that such development cost had not been returned to the utility out of earnings over and above fair return). Such a condition, however, does not exist in this case. It is established that for at least ten years the company has carried on its street railway operations at a loss. The testimony of the Commission's chief engineer and of the company's general manager is unanimous that there is no reasonable prospect of this property making even operating expenses plus taxes and depreciation in the future. There is uncontradicted testimony that the most economical step for the company to take, in case the city does not buy this property, is discontinuance of operation and the salvaging of the scrap.

I am satisfied, nevertheless, that the present fair value is considerably higher than the mere scrap value. The city, if it should buy, will acquire an operating plant. I see no reason why, under municipal ownership and operation, the street railway system should not earn all

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of its expenses and prove a valuable asset to the city. The city will be relieved from important expense items which the privately owned and operated utility cannot avoid. The largest of these are taxes, certain overhead expenses and street paving costs. While these matters, perhaps, have no immediate bearing on the present value of this property, they go to show that in acquiring this street railway the city would not in any sense acquire a worthless property.

I think it is also proper for me to say in this connection that discontinuance of street railway operation in Eureka would, without question, result in serious direct and indirect losses to the community and there appears to be no possibility, at this time, of a substitute for an electric street railway that can furnish equally satisfactory service at an equal cost. Should the city not buy and this property be scrapped and should, thereafter, the city find it necessary to build a system of its own, it is apparent that a reasonably satisfactory street railway plant would cost at least $300,000. It would unquestionably be more economical for the city to acquire the existing property at a reasonable price and thereafter rehabilitate the system in such manner as the city might desire.

I find that the just compensation for all of the property sought to be acquired by the city, including physical properties plus overheads, franchises, and all other elements of value, as the property is described in Exhibit "A," attached hereto, is the sum of $100,000.

There is no severance damage.

I recommend the following order and findings:

ORDER AND FINDINGS.

The city of Eureka, a municipal corporation, having filed with the Railroad Commission a petition setting forth the intention of the city to acquire, under eminent domain proceedings or otherwise, all of the operative property of Humboldt Transit Company, a public utility, including all tracks, roadbeds, franchises, poles, trolley lines, rolling stock, machinery, lands, and buildings situated in the city of Eureka and used in the operation of the street railway system, and praying that the Railroad Commission fix and determine the just compensation to be paid to the Humboldt Transit Company for said property and rights, a public hearing having been held, evidence received, and the evidence having been submitted;

The Railroad Commission of the State of California, after full consideration of all matters presented, and being fully advised in the premises, hereby finds the just compensation to be paid by the city of Eureka for the property and rights sought to be acquired, and which are specifically set forth and described in Exhibit "A," attached to this decision, to be the sum of $100,000, and the said sum is hereby

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declared to be the just compensation as of the day on which the petition was filed herein by the city of Eureka, to wit: the ninth day of April, 1921.

The Commission further finds that by reason of the taking of said operative property and rights no severance damage will result to the property and rights of the Humboldt Transit Company not sought to be acquired by said city.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of May, 1921.

EXHIBIT "A."

Accompanying Decision No. 9020 in Application No. 6727.

Description of property and rights sought to be acquired by city of Eureka and comprising:

First—All property described in the detailed inventory of property listed in the report of the engineering department of the Railroad Commission of the State of California, dated May 14, 1921, and referred to in this decision as Commission's Exhibit No. 1.

Second—All franchises and rights of whatever nature owned by the Humboldt Transit Company in the city of Eureka and including the following:

Ordinance No.	Date granted	Date of expiration	Remaining life	Grantor	Grantee
305	Feb. 25, 1903	Feb. 25, 1953	32 years	Eureka city	Humboldt Transit Company
318	Nov. 13, 1903	Nov. 13, 1953	32 years	Eureka city	Humboldt Transit Company
344	June 7, 1904	June 7, 1954	33 years	Eureka city	Humboldt Transit Company
377	Mar. 14, 1905	Mar. 14, 1955	34 years	Eureka city	Humboldt Transit Company
387	June 13, 1905	June 13, 1955	34 years	Eureka city	Humboldt Transit Company

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DECISION No. 9021.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO INCREASE ITS RATES FOR NATURAL GAS SUPPLIED TO ITS SOUTHERN DISTRICT, INCLUDING LONG BEACH, WILMINGTON, SAN PEDRO, SEAL BEACH AND CONTIGUOUS TERRITORY.

Application No. 6068.

Decided May 28, 1921.

GAS SERVICE—STORAGE CAPACITY.—When the storage capacity of a gas utility, engaged in the distribution of natural gas, is inadequate, the commission directs that the company shall, in connection with the installation of additional compression units, install equipment of sufficient capacity to form a part of an artificial plant when future necessity requires such change.

GAS SERVICE—BETTERMENTS TO—RETURN ON.—The commission holds that a utility must be protected as regards the continuity of service during a period when it will be obliged to change its system from the distribution of natural to artificial gas and the service can be most adequately safeguarded prior to and during such period by the installation of necessary betterments to the system at this time, with a view to their becoming an integral part of an artificial gas plant. Such equipment being of benefit to the consumers in the distribution of natural gas can be considered as operative property upon which the company is entitled to a return.

RATE OF RETURN—NATURAL GAS DISTRIBUTION—HAZARDOUS NATURE OF BUSINESS.—The commission does not consider that a company engaged in the business of distributing natural gas is entitled to the same rate of return as a utility engaged in the transmission of natural gas where the commodity is transmitted long distances through expensive lines, as the distributing system can be used in the distribution of artificial gas whereas the transmission lines are of little value should the source of supply of natural gas become exhausted.

METERS—CONNECTION CHARGES.—When a community is shown to have a transient population which necessitates a gas utility turning on and off 33,609 meters during one year the expense of such service should be charged to the consumers to which it is rendered and not to the permanent consumers of the utility. A charge of fifty cents per connection per meter is established.

LeRoy M. Edwards and *L. N. Whealton*, for Applicant.

Geo. L. Hoodenpyle and *Bruce W. Mason*, for city of Long Beach.

Jesse Stephens, William P. Nealey, H. S. Osborne, Jr., Stanley C. Carnahan, for city of Los Angeles, Wilmington and San Pedro.

Adolph B. Rosenfield, Grover C. Gates, J. E. Burney, for East Long Beach Industrial and Improvement Association and Signal Hill Improvement Association.

Geo. A. Brown, for Long Beach Chamber of Commerce.

A. Du Reuiz, City Engineer Long Beach.

O. R. Cline, City Gas Inspector Long Beach.

A. P. Hansen, for Apartment House Association.

A. J. Spinner, for city of Seal Beach.

G. E. Marsh, for Long Beach Improvement Association.

BRUNDIGE, *Commissioner*.

OPINION.

Southern Counties Gas Company, applicant herein, requests authority to increase its rates and charges for natural gas supplied to all classes of its consumers in its Southern District, comprising Long Beach, Wilmington, San Pedro, Seal Beach and contiguous territory.

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Applicant alleges that since it has been in possession of this system the average rate of return realized upon its investment has not been fair and reasonable and that under the present rates it will not earn a fair return during the ensuing year, largely because of increases in costs of labor, materials and natural gas which have recently become effective. Applicant further alleges that it has been obliged to make large expenditures for improvements to its system; that the cost of money for financing these betterments has continually increased until at the present time the cost of money has reached 8.4 per cent with an average of nearly 7 per cent for all money obtained to date; that at the time of purchase of the Long Beach properties in 1916, the average investment per consumer amounted to $62.90, while since then over $1,025,000 has been expended and the unit investment has increased to more than $125 per consumer. It is further alleged that because of operating a natural gas system, without maintaining artificial gas generating plants as stand-by equipment, applicant is subject to unusual hazards and rates upon money obtained by it are therefore somewhat in excess of those to other utilities; that, however, benefits to the consumer in the form of lower rates, have resulted with the natural gas service, which much more than offset additional interest charges.

Because of the high cost of money and hazard of operation, applicant asks that a 10 per cent return be allowed upon its capital investment. This rate it states is necessary to induce the investment of additional capital for financing improvements to its system, the estimate cost of which will amount to $325,000, in the Long Beach district during the year ending August 1, 1921.

Hearings in this application were held in Long Beach at which time complete evidence was introduced and the matter was thereupon submitted and is now ready for decision.

Long Beach and vicinity was originally supplied with artificial gas manufactured locally. In 1912, the Long Beach Consolidated Gas Company introduced mixed gas purchased from the Southern California Gas Company in Los Angeles. When the pipeline from the Fullerton Oil Fields was completed in 1915, the present natural gas service was started. The Southern Counties Gas Company purchased the property of the Long Beach Consolidated Gas Company in June, 1916, and at that time entered into a new and more favorable contract with Southern California Gas Company for a gas supply for Long Beach. Since the introduction of natural gas, Long Beach has experienced a most phenomenal growth both in population and in demand for gas. The original gas distributing and storage facilities have proved entirely inadequate, and large sums have been required for additions and improvements to plant equipment. However, after a detailed study of

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gas requirements, it is apparent that further improvements must be made in order to provide full and satisfactory service.

Evidence introduced by certain of applicant's consumers is to the effect that unsatisfactory service conditions were experienced in several localities, especially in East Long Beach and Seal Beach during the winter period. Investigations and tests by the Commission's engineers show the need of considerable additional compression, transmission and distribution facilities being installed.

For many years Long Beach localities have experienced much annoyance due to inadequate service conditions, and there has been a tendency for this trouble to become more general with the extension of territory served. Eastern parts of this district have suffered severely due to lack of proper gas pressure in the mains. This condition has been extremely acute in Seal Beach and portions of East Long Beach, pressure frequently being so low that it was comparable to a complete outage, making impossible the preparation of meals and other operations for which gas is most needed.

Certain outlying sections of this district, especially in the vicinity of East Long Beach, have developed very rapidly. This has resulted in a demand for numerous gas main extensions, many of which have been long delayed causing much annoyance to prospective consumers. Some time ago applicant was unable to obtain a sufficient supply of pipe necessary to make extensions, and also because of a shortage of funds with which to finance the extensive improvements, work was greatly retarded. These conditions are, however, past, and new extensions as provided for by the company's rules and regulations are now being laid.

Applicant calls attention to heavy peak demands for gas which occur only during short intervals of a few hours daily during the winter period. This condition makes difficult the rendering of satisfactory service because of the extremely heavy load placed upon all lines simultaneously. Southern Counties Gas Company is largely dependent upon other utilities for its supply of gas and during peak hours naturally experiences difficulty in obtaining sufficient hourly deliveries to meet its requirements, as other companies are subject to similar peak demands. Investigation of operating methods in this district indicates the necessity of providing means for distributing an increased amount of gas from storage holders, during morning hours. This will require the installation of additional compressor units, and at this time this Commission directs attention to the advisability of installing equipment of ample capacity, which may at some future date form a part of an artificial gas plant. Adequate compressors will assist largely in the rendering of good service and will also contribute materially to the general

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welfare of adjacent natural gas communities, by making possible the most advantageous utilization of storage capacity.

Applicant's petition in this matter brings forth issues which affect rates to an unusual extent. Because of the hazards of its operations and the probable future necessity of constructing a large modern artificial gas generating plant when the natural gas supply becomes exhausted, applicant asks that in addition to paying all operating expenses, depreciation and a 10 per cent return upon its investment, it be granted rates sufficient to set aside a reserve fund of $50,000 per year which it proposes be carried in cash or liquid securities. It is claimed that such a fund is necessary to insure financial stability and to maintain applicant's credit during the transition period from natural to artificial gas service. It is proposed that funds in this reserve be available: (1) to supplement inadequate earnings at any time; (2) to amortize non-operative property not covered by depreciation annuities; (3) and to provide funds for temporary loans during emergency periods.

Applicant's proposal is in effect that its income be practically guaranteed at 10 per cent upon its operative investment. It is important that it be in a position to adequately maintain service during the period of transition from natural to artificial gas and as heretofore decided it is entitled to amortize certain of its investment made obsolete by introduction of a better quality of gas. I am convinced, however, that the service can be most adequately safeguarded prior to and during such a period and with fairer treatment to present and future consumers by applicant installing certain of the necessary betterments to its system now, with a view of the same becoming an integral part of an ultimate artificial gas generating plant. This equipment, such as compressors, holders and mains, will be of benefit to consumers during the natural gas period and will also be operative property and applicant will be entitled to a return on same.

In determining whether applicant's request for an increase of rates is justified, a careful analysis of the evidence has been made and estimates of revenue and expenses for the year ending June 30, 1921, will be used, as these estimates will be closely indicative of the future conditions when revised for special features which now exist.

The historical reproduction cost of applicant's property as of January 1, 1918, was established by this Commission in Decision No. 5539 of Opinions and Orders of the Railroad Commission, volume 15, page 928. To this actual net additions and betterments have been added and certain adjustments and transfers made to bring the same up to January 1, 1921, showing the average capital for the period in question.

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The following summary sets forth the rate base used herein for the year ending June 30, 1921.

TABLE No. 1.

Southern Counties Gas Company, Southern District—Rate Base as of January 1, 1921.

Fixed Capital—	
Franchises	$1,154 40
Land	13,458 00
Transmission capital	627,535 39
Distribution capital	1,281,555 64
General	28,204 86
Total fixed capital	$1,951,908 29
Materials and supplies	49,600 00
Working cash capital	61,450 00
Total for rate base	$2,062,958 29

Gas operations for the period considered herein have been determined after a study of the experience of preceding years, as set forth in the evidence, modified for changes which have recently become effective. The quantity of gas needed has been determined after studying the growth of the community and the average unit consumption. It is estimated that domestic sales will amount to 847,000 M cubic feet, and total gas requirements with industrial sales equal to those of last year will aggregate 1,462,532 M cubic feet.

The accompanying table presents a comparative statement of operating statistics for the past three years together with an estimate for the year ending June 30, 1921, if the present rates are continued in effect.

TABLE No. 2.

Southern Counties Gas Company, Southern District—Comparative Operating Statistics.

	Year to June 30, 1918	Year to June 30, 1919	Year to June 30, 1920	Estimate for year ending June 30, 1921, with present rates
Consumers	$17,353 00	$18,383 00	$20,894 00	$24,200 00
Domestic gas sales (1,000 cubic feet)	308,928 00	596,041 00	736,066 00	847,000 00
Sales per consumer	17,800 00	32,942 00	35,229 00	35,000 00
Industrial sales (cubic feet)	425,502 00	796,946 00	556,300 00	215,532 00
Unaccounted for	284,437 00	247,722 00	342,972 00	350,000 00
Total gas purchased	1,018,868 00	1,430,514 00	1,316,516 00	1,462,532 00
Revenue	$391,648 00	$650,830 00	$659,590 00	$755,766 00
Operating expense	354,866 00	520,139 00	520,821 00	634,015 00
Net for return	$36,782 00	$130,691 00	$138,769 00	$121,751 00
Approximate rate base	$111,101 00	$1,313,449 00	$1,682,822 00	$2,062,958 00
Per cent return	3.31	9.95	8.25	5.9

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In determining the reasonable operating expenses for the period being considered, careful analysis of the records of the company has been made. The cost of gas purchased has been based on the present average price. No deduction for expense of selling appliances has been made, but the revenue therefrom has been included in the return. Other expenses as appear reasonable have been allowed. The tax rate to be paid by applicant hereafter has been increased from 5.6 per cent to 7.5 per cent of its gross revenue and this item has been corrected to conform thereto in order that the estimates will more exactly measure future conditions.

This Commission's Decision No. 5539 provided for the amortization of certain nonoperative property amounting to $47,841 as of January 1, 1918, on a 6 per cent sinking fund basis over a period of ten years. Applicant now reports certain charges and credits to this account which indicate an unamortized balance of $42,585 as of June 30, 1920, and asks that this amount be amortized in period of three years. Accruals to this reserve computed in conformity with the previous decision should amount to $11,571 leaving an unamortized balance of $36,270 as of January 1, 1921. After consideration of the matter I am of the opinion that a five year additional period in which to amortize this amount is entirely reasonable. An amortization annuity of $8,610.50 is therefore made on a five year 6 per cent sinking fund basis, which at the same time allows 6 per cent upon the unamortized balance.

Depreciation will be allowed at the same rates as heretofore found reasonable in Decision No. 5539.

Applicant prays that it be granted a return of 10 per cent upon its capital investment in view of the hazard associated with natural gas operations and because of the high cost of borrowed money. To date the average cost of money to applicant has been over 6.9 per cent and recently borrowed amounts have cost 8.4 per cent. This Commission has previously allowed 10 per cent return on certain hazardous enterprises where natural gas was transmitted long distances and expensive lines were required. Service of natural gas to a residence city by a distributing company can not well be considered as a similar class of utility service. However, in view of the existing circumstances of this particular case and the low relative cost of service and the present cost of money it appears reasonable to grant a 9½ per cent return to applicant.

Because of the large number of changes in gas connections, applicant asks that a charge of $1 be deposited with the company by all new consumers. This amount is intended to cover the expense of turning off and on meters where service is not continued at the same location for a

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period of twelve months or more. Many consumer's total bill for all service rendered is only $1 thereby resulting in a loss to applicant, which must be distributed as increased rates to permanent consumers. Detailed investigation shows that during the period from September, 1919, to August, 1920, there were 18,602 meters turned on and 15,007 turned off, making a total number of changes 33,609, compared with an average number of consumers of approximately 24,000.

It is apparent that a large proportion of applicant's business is of a very transient nature, this condition being quite uniform throughout the year. During 1920 the total expenses involved in this work amounted to $15,351, or an average of $0.457 for turning a service off or on. This cost is now being absorbed in general rates to permanent consumers. It therefore appears proper to provide a certain charge which will alleviate this inequitable condition. Accordingly a service connection charge of 50 cents per meter, will be authorized herein, to be paid by each new consumer hereafter, to cover cost of turning on the service. This should yield a revenue of $9,500 per year, which amount has been credited to the cost of service in the determination of rates.

The following table summarizes the estimated revenue from existing domestic rates, operating expenses and total cost of service for the year ending June 30, 1921, as determined from an analysis of the evidence in this proceeding.

TABLE No. 3.

Southern Counties Gas Company, Southern District—Estimated Revenue and Expenses Under Existing Rates for Year Ending June 30, 1921.

Gross Revenue.	
Gas Sales—	
Domestic and commercial service	$658,966 00
Industrial gas sales	75,650 00
Miscellaneous—	
Transmission charges	4,500 00
Net merchandise profits	8,500 00
Total gross revenue	$747,616 00
Operating Expenses.	
Production	$283,500 00
Transmission	25,690 00
Distribution	66,260 00
Commercial	66,365 00
General	69,700 00
Taxes	64,500 00
Uncollectible accounts	1,550 00
Total	$577,565 00
Depreciation and amortization	56,450 00
Total operating charges	$634,015 00
Net for return	113,601 00
9½ per cent return on rate base of $2,062,958.00	195,981 00
Deficit below 9½ per cent return	82,380 00

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The rates hereinafter set forth should provide applicant with sufficient revenue to meet all proper operating expenses and to realize the fair return herein estimated upon its investment, accounting being made for revenue received from the connection charge herein authorized.

I submit the following form of order:

ORDER.

Southern Counties Gas Company having applied to the Railroad Commission for an order granting authority to increase its rates and charges for natural gas sold to its several classes of consumers in its Southern District, public hearings having been held and the matter having been submitted and being now ready for decision, the Railroad Commission hereby finds as a fact that the rates now charged by Southern Counties Gas Company in so far as they differ from the rates herein fixed, are not just and reasonable rates, and that the rates herein established are just and reasonable rates for domestic and industrial gas service in its Southern District.

Basing its order upon the foregoing findings of fact and upon other findings of fact contained in the opinion which precedes this order

It is hereby ordered, that Southern Counties Gas Company be and it is hereby authorized to charge and collect the following rates for gas sold under the several schedules for domestic and industrial purposes in its Southern District, which rates shall be effective for all regular meter readings taken on and after the first day of July, 1921.

Schedule No. 2-A—Southern District.

General service.

Applicable to domestic and commercial service for lighting, heating and cooking, including restaurants, apartment houses, hotels, hospitals, sanitaria, business buildings of all kinds, schools and churches.

Territory.

Applicable to Southern District including Long Beach, Seal Beach, Wilmington, San Pedro and adjacent territory.

Rate.

First	1,000 cubic feet or less per meter per month	$1.00
Next	4,000 cubic feet per meter per month	.90 per M cubic feet
Next	10,000 cubic feet per meter per month	.80 per M cubic feet
Next	35,000 cubic feet per meter per month	.70 per M cubic feet
All over	50,000 cubic feet per meter per month	.60 per M cubic feet

Special conditions.

Consumers served under this schedule have priority in the use of gas over consumers served under Schedules No. 2-B, No. 2-C and No. 2-D at times when there is insufficient gas to supply the demands of all consumers.

Schedule No. 2-B—Southern District.

Gas engine service.

Applicable to service for internal combustion engines only.

Territory.

Applicable to Southern District, including Long Beach, Seal Beach, Wilmington, San Pedro and adjacent territory.

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Rate.

First	50,000 cubic feet per meter per month	$0.55 per M cubic feet
Next	150,000 cubic feet per meter per month	.45 per M cubic feet
All over	200,000 cubic feet per meter per month	.40 per M cubic feet

Minimum charge.

From May to October, inclusive	$5.00 per meter per month
From November to April, inclusive	1.00 per meter per month
For continuous annual service	36.00 per meter per year

Special conditions.

Consumers served under this schedule have priority in the use of gas over consumers served under Schedules No. 2-C and No. 2-D, but will be subject to the prior use of consumers served under Schedule No. 2-A at times when there is insufficient gas to supply the demands of all consumers.

Schedule No. 2-C—Southern District.

Commercial and industrial service.

Applicable to commercial and industrial service such as bakeries, packing houses, metal working plants, preserving and canning establishments, fruit and vegetable dryers and other consumers whose demands for gas are not dependent upon atmospheric temperature, or upon the preparation of meals and whose times of maximum demand, if any, do not coincide with the maximum demand of consumers served under Schedule No. 2-A.

Territory.

Applicable to Southern District, including Long Beach, Seal Beach, Wilmington, San Pedro and adjacent territory.

Rate.

First	50,000 cubic feet per meter per month	$0.50 per M cubic feet
Next	150,000 cubic feet per meter per month	.45 per M cubic feet
Next over	300,000 cubic feet per meter per month	.40 per M cubic feet
All over	500,000 cubic feet per meter per month	.38 per M cubic feet

Minimum Charge.

From May to October, inclusive	$15 00 per meter per month
From November to April, inclusive	1 00 per meter per month
For continuous annual service	96 00 per meter per year

Special conditions.

(*a*) Priority—Consumers served under this schedule have priority in the use of gas over consumers served under Schedule No. 2-D, but are subject to the prior use of consumers served under Schedules No. 2-A and No. 2-B, at times when there is insufficient gas to supply the demands of all consumers.

(*b*) Pressure—When service is desired at a pressure other than that normally served at 4 oz. above atmospheric, the above rate will be increased 1% for each two pounds by which the average required and delivery pressure exceeds three pounds per square inch.

Schedule No. 2-D—Southern District.

Surplus industrial service.

Applicable to industrial service on existing mains having a delivery capacity in excess of the present requirements of consumers served under Schedules No. 2-A, No. 2-B, and No. 2-D; for use in steam boilers, incinerators, kilns, or similar equipment, in which the gas is not used to heat buildings or to prepare meals, and which are equipped to use other fuels on thirty minutes notice. Consumers receiving service under this schedule are required to maintain adequate supplies of such other fuels.

Territory.

Applicable to Southern District, including Long Beach, Seal Beach, Wilmington, San Pedro and adjacent territory.

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Rate.

35 cents per 1000 cubic feet.

Minimum charge.

From May to October, inclusive	$50 00 per meter per month
From November to April, inclusive	5 00 per meter per month
For continuous yearly service	330 00 per meter per year

Special conditions.

At times of gas shortage service to consumers under this schedule will be shut off in favor of consumers served under Schedules No. 2-A, No. 2-B and No. 2-C.

A contract for a period of one year will be required as a condition precedent to service under this schedule.

Class "A" Industrial Service—"Limited"—Southern District.

Industrial gas service.

Applicable to industrial service on existing mains having a delivery capacity in excess of the present requirements of consumers served under Schedule 2-A. For natural gas used for purposes where gas fuel is essential to continued operation, such as metal working processes, glass manufacture, special tile manufacture and the preparation of food products.

Territory.

Applicable to Southern District, including Long Beach, Wilmington, San Pedro and adjacent territory.

Rate.

Readiness-to-serve charge: $15 per meter per month.
Plus consumption charge: 40 cents per 1000 cubic feet delivered.

Special conditions.

(*a*) Service under this schedule will be granted only subject to approval by the Railroad Commission of the State of California.

(*b*) Service under this schedule has priority over other industrial service, but is subject to discontinuance in case of necessity in favor of domestic service.

It is hereby further ordered, that Southern Counties Gas Company be and it is hereby authorized to charge and collect a service connection charge of $0.50 per meter for the connection of new or resuming consumers.

It is hereby further ordered, that Southern Counties Gas Company shall, within twenty days from the date of this order, file with the Railroad Commission the schedules of rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of May, 1921.

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DECISION No. 9022.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, AND SAN JOAQUIN LIGHT AND POWER CORPORATION, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA APPROVING A CERTAIN AGREEMENT DATED SEPTEMBER 16, 1920; AND FOR A FURTHER ORDER FIXING AND ESTABLISHING THE RATE TO BE CHARGED FOR ELECTRIC ENERGY TO BE SOLD AND DELIVERED UNDER THE PROVISIONS OF SAID AGREEMENT.

Application No. 6197.

Decided May 28, 1921.

C. P. Cutten, for Pacific Gas and Electric Company.

Murray Bourne, for San Joaquin Light and Power Corporation.

ROWELL, *Commissioner*.

OPINION.

This is the joint request of Pacific Gas and Electric Company and San Joaquin Light and Power Corporation, hereinafter referred to as "Pacific Company" and "San Joaquin Company" respectively, for the approval of a certain agreement dated the sixteenth day of September, 1920, as amended by a further agreement dated the fourteenth day of February, 1921, covering the advance of certain moneys by Pacific Company to San Joaquin Company for the construction of a transmission line, and the agreement for the sale by San Joaquin Company and purchase by Pacific Company of surplus power available on the San Joaquin system. The petition further requests the fixing and establishing of a fair and reasonable rate for the sale and delivery of the power as proposed in the agreement.

The San Joaquin Light and Power Corporation, due to the completion of certain additional hydro-electric and steam plants, finds itself capable of producing a considerably greater amount of power than required on its own system. Part of the power is produced by gas, costing considerably less than the cost of producing power by the use of oil on the Pacific Company's system. Pacific Company agrees to advance to San Joaquin Company funds for the construction of a transmission line from its Kerckhoff hydro-electric plant to Merced in order to make available to Pacific Company the surplus power which is available. San Joaquin Company agrees to supply to Pacific Company, unless otherwise directed by the Commission, half of the surplus power which it may have and Pacific Company agrees to take in so far as it may do so economically, half of the available surplus, not exceeding 7,000,000 kilowatt hours per month. San Joaquin Company also agrees to pay Pacific Company interest at the rate of 9 per cent per annum upon the money which that company advanced.

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The agreement has been the subject of careful analysis by the Commission and the original agreement as amended by the agreement of February 14, 1921, is found reasonable.

Relative to the rate to be charged for this service, this matter was the subject of investigation by the Commission's engineers and conferences between the parties, the result of which was an agreement that for power delivered prior to January 1, 1921, the rate would be 1 cent per kilowatt hour and that thereafter Pacific Company would pay San Joaquin Company 12 per cent per annum for interest and depreciation upon the moneys which were advanced by it to San Joaquin Company, and, in addition, a rate of .705 cents per kilowatt hour for energy delivered, this rate being based upon a price of oil to Pacific Gas and Electric Company of $1.93 per barrel f. o. b. San Francisco. Pacific Company agreed to pay an increase in rate of 1/225-th of the increase in cost of oil per kilowatt hour in case the price of oil should increase. It was later agreed by both parties that in case the price of oil was reduced below the price of $1.93 per barrel an adjustment should be made in the rate.

Since the petition was filed and the rate agreed upon the price of oil to Pacific Gas and Electric Company has been reduced 25 cents per barrel. In view of the change in the price of oil and the possibility that further change may occur it does not appear that any definite rate can be fixed or approved by this Commission. The basis of the rate agreed to by the parties meets with the approval of the Commission's engineers. A division of the apparent savings on the basis of two-thirds to the San Joaquin Light and Power Corporation and one-third to the Pacific Gas and Electric Company should I believe be in general followed out, especially in case of a reduction in the price of oil, with the limitation that the minimum rate to be paid shall be not less than six mills per kilowatt hour.

I recommend that the agreement be approved and that the basis of rate determination be accepted with the understanding that in case variation in the price of oil occurs, the two parties submit to the Commission for informal approval the proposed adjustment of rates to conform with the changed conditions.

I recommend the following form of order:

ORDER.

Pacific Gas and Electric Company and San Joaquin Light and Power Corporation having applied to the Commission for approval of a certain agreement dated the sixteenth day of September, 1920, as amended by a further agreement dated the fourteenth day of February, 1921, and for the fixing and establishing of a fair and reasonable

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rate for the sale and delivery of power as proposed by said agreement, hearing having been held and the matter having been submitted,

It is hereby ordered, that the said agreements between Pacific Gas and Electric Company and San Joaquin Light and Power Corporation, hereinbefore referred to, be and the same are approved.

It is hereby further ordered, that the rates heretofore agreed to between the two parties be and the same are hereby authorized subject to such modifications as may be made necessary by changes in the price of fuel oil and as may be informally approved from time to time by this Commission.

Pacific Gas and Electric Company and San Joaquin Light and Power Corporation are hereby directed to submit to this Commission on or before June 30, a revised contract combining the two agreements hereinabove referred to and including the agreement as to rates herein authorized.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California

Dated at San Francisco, California, this twenty-eighth day of May, 1921.

DECISION No. 9023.

IN THE MATTER OF THE APPLICATION OF MOKELUMNE RIVER POWER AND WATER COMPANY, A CORPORATION, FOR ESTABLISHMENT OF A SCHEDULE OF RATES TO BE CHARGED FOR WATER FURNISHED BY IT IN CALAVERAS COUNTY.

Application No. 4943.

Decided May 28, 1921.

WATER RATES—IRRIGATION UTILITIES.—When an irrigation utility, due to successive years of drought, is unable to meet all demands made upon it for water service for irrigation and domestic use consumers should not withhold the payment of bills due to the fact that they did not receive all the water to which they believed themselves entitled, particularly when the utility in question is making no return upon its investment. Bills which may be deemed unreasonable or excessive should be submitted to the Commission for adjustment in accordance with the established rules governing disputed accounts.

F. J. Solinsky, for Applicant.

F. G. Mitchell, for consumers at Mokelumne Hill.

R. A. Fox, for consumers at Valley Springs.

BY THE COMMISSION.

SUPPLEMENTAL OPINION ON FURTHER HEARING AND INVESTIGATION.

Heretofore, on April 8, 1920, this Commission rendered its opinion and order in above entitled proceeding—Decision No. 7394. Subse-

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quent thereto a number of the consumers filed informal complaints, alleging in effect that the rates established therein covering irrigation service from the domestic pipe system of the Mokelumne River Power and Water Company are unreasonable and result in unduly high charges. Several conferences were held between representatives of the consumers, the company, and members of the Commission's hydraulic engineering division in an endeavor to adjust these complaints informally. As a result applicant agreed to accept a reduced rate for such irrigation service and placed on file a rate which became effective on October 13, 1920. Dissatisfaction among the consumers continuing, this Commission instituted on its own motion an investigation and held a further hearing in the matter on March 8, 1921, at Valley Springs before Examiner Satterwhite.

As evidenced in the above mentioned decision, this utility operates an extensive ditch system, originally constructed and used for hydraulic mining purposes, which use ceased some years ago. By reason of the present operating conditions and the different use to which the water is now put, the system as it exists today is largely overbuilt for its present purposes. Wherefore it was very apparent that should a rate schedule be established sufficiently high to yield a full return of the annual expenses of this utility, including interest on the investment, the few consumers at present receiving service would be burdened with charges unduly high and greater than the service is reasonably worth. Accordingly, the rate schedule established in the said decision was designed to yield only a partial return to applicant, commensurate with the conditions obtaining but considered fair both to the utility and its consumers.

The evidence shows that the maintenance and operation expenses for the past three years have averaged about $7,250 annually, not including taxes, which for 1920 amounted to $3,106.21. The revenue from water sales during the year 1920 was as follows:

Mining use (quartz mills)	$2,061 47
Domestic use, including garden irrigation	2,405 26
Irrigation directly from the ditch	341 50
Total	$4,808 23

The record shows that the income from quartz mining is not dependable because of the irregularity of operation. During 1917 seven mines were operating, yielding a revenue to the utility of $5,151.33. At the time of the hearing in this matter only one mine supplied with water by this utility was in operation.

Applicant filed a tabulated survey of the premises of the domestic users, including the area irrigated and showing the monthly charges by applying the established flat rate schedule. It is noted that the

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area of gardens and orchards irrigated in connection with the domestic services is large as compared with such use in other localities.

At present there are about 85 active domestic consumers on the system. Recently meters were installed on 22 of these services and the record of metered use for the period October, 1920, to February, 1921, when there was little or no irrigation, shows that the monthly consumption of practically all came well within the established minimum of approximately 400 cubic feet monthly for a $\frac{5}{8}$-inch meter.

The testimony of protestants at the hearing was mainly confined to complaints to the effect that the established rates for irrigation in connection with domestic service result in unreasonable and prohibitive charges. It was contended that the rates for this service should be comparable with the miner's inch rate as established for irrigation use directly from the ditch.

Further, protests were entered regarding the water shortage of the past few years and consequent total cessation of service during the late summer months in the district served below Mokelumne Hill and particularly at Valley Springs.

The evidence shows that this ditch system was constructed to deliver the large volume of water required for mining purposes in the early days, which use was largely during the winter and spring months, while the present maximum demand for domestic and irrigation purposes is during the summer months, when the natural stream flow is at a minimum. Taking into consideration the large seepage and evaporation losses from the ditch it is evident that use for irrigation purposes cannot be largely extended without the construction of storage facilities.

Applicant admits the condition of disrepair of ditches and flumes and consequent seepage losses, but contends that the possible return from the present or prospective future uses of water is unremunerative and will not warrant the expense necessary for extensive repairs or renewals.

Certainly the situation presented is an extremely unsatisfactory one. Here we have a water system consisting of approximately 40 miles of ditches and flumes originally constructed to supply an industry requiring great volumes of water. This requirement no longer exists. The utility is now dependent for its income upon a small domestic and irrigation use, except for such revenue received for supplying quartz mines. The revenue it receives from these sources is hardly adequate to support the system properly. The result is a situation that must be met by establishing a schedule of rates that will as equitably as possible distribute among the available consumers the cost of operating this system. As we see it, the most promising

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ultimate solution to this problem is the inclusion of an additional acreage under this utility's system to justify the installation of storage facilities sufficiently large to insure a continuous supply throughout the irrigation season, and to take care of shortage in the event of years of scarcity of water supply.

It appears that the situation, already unsatisfactory, is aggravated by lack of cooperation between the utility and its consumers. Both the consumers and the utility should do all in their power to relieve this condition, and should in every way facilitate the operation of the system. We can not urge too strongly the fact that satisfactory service can only be obtained through cooperation, and we believe that any personal grievance which any of the consumers have should be laid aside to further the welfare of the entire community.

The difficulties under which this company operated during the past season were further accentuated by the failure of the natural water supply. As a result of four successive seasons of a scarcity of rainfall, the natural water supply in California became well-nigh exhausted. Such drought conditions affected nearly every water utility in the state. The service of the Mokelumne River Power and Water Company suffered to a marked degree, as the supply was insufficient to overcome seepage and other losses. As a result a great number of the consumers withheld the payment of their bills. The drought conditions have apparently passed, and the consumers of this system seem assured of a plentiful water supply for the present season. We urge that these consumers settle their accounts with the company immediately because, obviously, the company cannot continue to operate with seriously impaired revenue. In cases where certain consumers feel that they have been improperly charged, and an amicable agreement cannot be reached with the utility, such consumers may deposit with this Commission the amount claimed by the utility to be due in accordance with the general rule of this Commission regarding the settlement of disputed bills.

The order herein will contain a schedule of rates which takes into consideration the necessities of the situation and is intended to overcome as nearly as possible the difficulties both of the utility and its consumers.

SUPPLEMENTAL ORDER.

This Commission having heretofore, on April 8, 1920 (Decision No. 7394), issued its order in the above entitled proceeding, authorizing and directing the Mokelumne River Power and Water Company, a corporation, to file and charge a certain schedule of rates, and numerous consumers having requested a modification of said rates covering

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irrigation service from this utility's domestic pipe system, and thereupon a further investigation having been instituted by this Commission on its own initiative, a public hearing having been held and the matter having been submitted:

It is hereby found as a fact that the rate schedule at present in effect in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged its consumers for water;

And basing its order upon the foregoing finding of fact and the further statements of fact which are contained in the opinion which precedes this order and in the opinion in Decision No. 7394,

It is hereby ordered, that Mokelumne River Power and Water Company, a corporation, be and it is hereby authorized and directed to file with this Commission within twenty (20) days of the date of this order the following schedule of rates for water delivered to its consumers, said rates to be charged for all service rendered subsequent to June 15, 1921.

RATE SCHEDULE.

Monthly flat rates for domestic use.

1. Residences and tenements of four rooms or less, occupied by a single family	$1 75
For each additional room	10
Additional for each flush toilet or bath tub	20
Additional for private barn—not more than two horses or cows	60
For each additional horse or cow	25
2. Irrigation of lawns, shrubbery, trees, gardens, etc., per 100 square feet of surface actually watered,	
For 3000 square feet or less	08
From 3000 to 10,000 square feet	05
All over 10,000 square feet	03
3. Private boarding houses, each roomer or boarder, in addition to the family rate	15
4. Livery stables and stock yards per average number of stock fed, each	25
Minimum charge	2 50
5. Blacksmith, wagon and repair shops	2 00
6. Public garages, average four autos or less	3 00
For each additional auto	30
7. Barber shops, for single chair	1 50
For each additional chair	50
8. Soda fountains, soft drink places, and ice cream or lunch parlors, either alone or in connection with other business	3 00
9. Creameries, slaughter houses, bottling works and laundries	$2 00 to 5 00
10. Butcher shops, bakeries, drug stores, undertaking parlors and dentists' offices	2 25
11. Billiard parlors, fraternal halls, club rooms, plumbing shops, churches, stores and shops not otherwise listed	2 00
12. Barns in connection with stores, shops, etc., not more than two horses	50
For each additional horse	25
13. Additional for each bath tub, flush toilet or urinal in 4 to 11 inclusive	50
14. For cold storage machines in addition to store rates	$1 50 to 4 00
15. Living rooms in connection with stores or shops, additional to store rate	75
16. For use of hose in front of stores or shops for washing windows and sprinkling sidewalks and roadway, according to use	0 25 to 1 00

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17. Hotels and lodging houses:	
For dining room	2 50
For bedrooms without running water	20
For bedrooms with running water	30
For each bath tub	50
For each flush toilet or urinal	30
18. Water motors, depending on size	0 75 to 3 00
19. For each hydrant especially installed for fire protection or for the individual use of persons, firms or corporations for fire service exclusively	75
20. Water for all purposes or establishments not specified in above schedule, charged for at measured rates.	

Meter rates.

1. Minimum monthly payments:	
⅝-inch meters	$1 75
¾-inch meters	2 00
1-inch meters	2 75
1½-inch meters	2 75
2-inch meters	3 00
2. Quantity rates per 100 cubic feet:	
From 0 to 1000 cubic feet per month	25
From 1000 to 5000 cubic feet per month	10
All over 5000 cubic feet per month	04

Meters may be installed at the option of the consumer or the company. When a meter is installed at the request of a consumer, a deposit may be required, such a deposit to be returned to the consumer as a credit on monthly water bills at the rate of one-third of the monthly bills for water used.

Irrigation, mining and industrial uses—Open ditch service.

	Per miner's inch per day
For irrigation season—	
24-hour service, continuous flow	$0 35
12-hour service, continuous flow	20
24-hour service, non-continuous flow	45
For calendar year—	
24-hour service, continuous flow	30
12-hour service, continuous flow	15

Minimum annual payment will be the equivalent of ¼ of a miner's inch continuous flow for irrigation season. Miner's inch equals 1-40 of a cubic foot per second.

Dated at San Francisco, California, this twenty-eighth day of May, 1921.

DECISION No. 9024.

IN THE MATTER OF THE APPLICATION OF CROWN WATER COMPANY, A CORPORATION, FOR AN ORDER FIXING A CHARGE OF TWO DOLLARS PER HOUR'S RUN OF THE PUMP FOR IRRIGATION USE.

Application No. 6457.

Decided May 28, 1921.

G. E. Campbell, for Applicant.

BY THE COMMISSION.

OPINION.

The Crown Water Company, a public utility water system supplying water for domestic and irrigation purposes to some twelve consumers at Perry, Los Angeles County, asks for authority to increase

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its irrigation rates to $2 per hour's run of the pump. This petition is based on the allegation that due to the increased costs of power, labor and materials, the income from the present irrigation rate does not yield maintenance and operation expense, replacement fund and a return on the investment.

A public hearing in the matter was held at Los Angeles before Examiner Westover, of which all of applicant's consumers were notified and given an opportunity to appear and be heard. At the hearing, applicant amended its petition to the effect that the Commission should establish a fair and just rate for the service indicated above.

The present rates in effect were established by the Commission in Decision No. 3889, Application No. 2349 and in Decision No. 5830, Application No. 3538, (volume 11, page 1004, and volume 16, page 117, Opinions and Orders of the Railroad Commission), to which reference is made for the history of the company, and a description of the system.

The irrigation rate in effect at present is:

Per hour's run of pump.....$1 50

D. H. Harroun, one of the Commission's hydraulic engineers, submitted a report covering a field investigation, appraisal of properties and a study of the cost of maintenance and operation. This report shows the estimated original cost of the system to be $4068 and $77 as the replacement annuity, computed by the sinking fund method. The report also recommended the sum of $1317 as a fair and just estimate of the future annual cost of operating this system. These estimates were not questioned at the hearing or subsequently.

The total estimated income from the operation of this system for the year 1921, at present rates, is $1445, of which $1253 would accrue from irrigation service. It does not appear that there will be any appreciable increase in the near future by reason of increased consumption. It is apparent that an increased gross revenue is warranted, and the rate established in the following order, together with the revenue from domestic sales, is designed to return to applicant the proper cost of maintenance and operation, replacement annuity and a fair return on the investment.

Attention is called to the fact that no alteration is asked or made in any rate of this utility other than the rate for water furnished for irrigation purposes.

ORDER.

Crown Water Company having applied to the Railroad Commission for authority to increase the rate charged for water served for irrigation purposes to consumers on its water system, a public hearing having been held and the matter having been submitted,

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It is hereby found as a fact that the irrigation rate charged by the Crown Water Company, in so far as it differs from the rate herein established, is unjust, unremunerative and unreasonable, and that the rate herein established is a just and reasonable rate.

And basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order,

It is hereby ordered, that the Crown Water Company be and it is hereby authorized to file with the Railroad Commission within twenty (20) days of the date of this order the following rate for water for irrigation use, said rate to apply to all service rendered subsequent to June 1, 1921:

For each hour plant is operated at full capacity, i. e., 43 miner's inches, or 0.86 cubic feet per second, the charge shall be.....$1 85

Dated at San Francisco, California, this twenty-eighth day of May, 1921.

DECISION No. 9026.

IN THE MATTER OF THE APPLICATION OF OPPENHEIMER TRUCK LINE FOR INCREASE IN RATES, AND ADDITIONAL RULES AND REGULATIONS.

Application No. 6513.

Decided May 28, 1921.

AUTO STAGE LINES—RATE INCREASES—EVIDENCE REQUIRED.—The Railroad Commission will not authorize an increase in rates for an automobile truck company, irrespective of the utility's claimed needs when it has failed to keep any books or records of its revenues and expenses or of the various classes of commodities which it handles. The Commission holds that those operating utilities must realize that the only safe course is to maintain adequate, detailed, exact records from which satisfactory analyses of operating and traffic conditions can be made and studied. The burden of proof that increases are warranted always rests with the utility itself.

Warren E. Libby, for Applicant.

BY THE COMMISSION.

OPINION.

Rush Oppenheimer, doing business under the fictitious name of the Oppenheimer Truck Line, applies for authority to increase rates for transporting merchandise between San Diego, Bostonia and intermediate points.

A public hearing upon the matter was held by Examiner Westover at San Diego.

The ground of the application is that the present rates have been in effect for five years, while operating costs have greatly increased. It appears from the testimony, however, that applicant has kept no books or records from which the Commission can determine his revenue or

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operating expenses, nor how these would be affected by placing in effect the new tariff, rules and regulations proposed. As he can not present any evidence showing the quantities of traffic of various classes moving between various points, nor how the proposed rates would have affected revenue if applied to freight movements during any period in the past, it is manifest that the Commission is without sufficient data upon which to determine the reasonableness and effect of the proposed rates.

It is suggested that, although the evidence presented was insufficient, the Commission "allow six months tentative increase." During this period a satisfactory record will be kept and submitted to the Commission.

A number of the rates involve increases of 100 per cent or more, and many others more than 50 per cent. It is very apparent that it would be unjust to the shipping and consuming public to allow increases without supporting testimony, especially in view of the recent decreases in operating costs, such as tires and gasoline.

Those operating public utilities must realize that the only safe course is to maintain adequate, detailed, exact records from which satisfactory analyses of operating and traffic conditions can be made and studied. Without such data, the Commission often finds itself unable to grant relief in instances where utilities or carriers might be able to prove the need of relief with the aid of adequate records. Applicants for increases in rates must realize that the burden is always upon them to prove that they are entitled to increases, and just what the effect of the proposed rates will be upon their revenue.

ORDER.

A public hearing having been held upon the above entitled application, the matter being submitted and ready for decision, and the applicant having failed to show any justification for an increase in rates;

It is hereby ordered, that the application be and it is hereby denied.

Dated at San Francisco, California, this twenty-eighth day of May, 1921.

Decision No. 9029.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES RAILWAY CORPORATION FOR AN INVESTIGATION OF ITS SERVICE AND FINANCIAL CONDITION AND FOR AN ORDER AUTHORIZING IT TO SO OPERATE ITS SYSTEM AND CHANGE ITS RATES THAT THE INCOME WILL BE SUFFICIENT TO PAY THE COST OF THE SERVICE.

Application No. 4238.

Decided May 31, 1921.

STREET CAR SERVICE—RATE INCREASES.—Before an increase in rates should be granted to a street railway company the Commission should be satisfied that every possible economy in operation and service has been effected. Operating

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savings should not be made through decreases in wages or salaries, but should be effected through increased efficiencies in management and operation, by the use of more modern equipment and by more direct routing of cars.

STREET CAR SERVICE—ABANDONMENT OF.—Operation of individual units of a street railway system should not be abandoned or curtailed if there is a real public need for such service, irrespective of whether each individual unit is in itself showing a profit, provided the system as a whole can be put upon a paying basis; however, no new extensions should be constructed unless it is reasonably certain that they will become self-sustaining within the near future.

DEPRECIATION RESERVE—AMOUNTS CREDITED TO.—Amounts credited to depreciation should not vary with the annual net earnings of a utility but should be fixed in accordance with reasonable estimates of the actual depreciation of the property of the utility and such fixed amounts deposited regularly and used only for that particular purpose under definite rules and regulations governing the use of such a fund.

RATE OF RETURN—EARNINGS—INVESTMENT.—The Commission holds that wherever the character of the service permits, it is its purpose to allow to utilities operating in California, such rates as will enable the utility to give good service, to earn all necessary and reasonable expenses, to protect in so far as possible, the integrity of actual and reasonable investment and in addition to allow a fair return on the proper rate base. Fixing utility rates for the purpose of keeping the plant intact is not only of vital importance to the utility owner but to the utility user.

FRANCHISES—EXPIRATION OF—RENEWALS.—If franchises covering certain units of a street railway system expire within short periods of time, the utility can not be expected to invest large sums in betterments and improvements to its system unless arrangements are made to protect such investment. Recommendation made that the city and the utility interested in the present proceeding take immediate steps to arrange for an indeterminate resettlement franchise to cover all of the company's operations within the city limits of Los Angeles.

PAVING—FRANCHISE REQUIREMENTS—ABOLITION OF.—The Commission holds that franchise requirements under which a street railway company must bear the costs of paving a portion of the streets over which their cars are operated is unduly burdensome upon the patrons of the railway, such costs amounting to approximately 6 per cent of the company's gross annual revenue, from which expenditure neither the company nor its patrons secure any benefits.

STREET RAILWAYS RATES—ZONE CHARGES—TRANSFER CHARGES.—The Railroad Commission is not in favor of the establishment of street car rates upon a zone basis nor is it in favor of the establishment of a charge for transfer privileges, holding that under the peculiar conditions prevailing in Los Angeles the establishment of a transfer charge would effect unjustifiable discrimination between different users of the street railway service and would also effect discrimination as between the various business localities in the downtown district.

Applicant herein directed to take immediate steps to put into effect recommendations contained in the opinion herein, to enter into negotiations with the city of Los Angeles with reference to existing franchises, to set aside in a separate depreciation fund the sum of $720,000 per annum and to use such fund only as provided for in rules hereafter to be approved. It is also authorized to establish within thirty days a basic rate of six cents, provided that tickets or tokens in blocks of ten shall be sold at fifty cents, both the straight fare and tickets to retain the same transfer privileges as are at present in effect.

Gibson, Dunn, and Crutcher, by *S. M. Haskins*, for Los Angeles Railway Corporation.

Charles F. Burnell, City Attorney, and *Jess E. Stephens*, Assistant City Attorney, for the city of Los Angeles.

H. Z. Osborne, Jr., for Board of Public Utilities of the city of Los Angeles.

R. P. Dix, for the Employees of the Los Angeles Railway Corporation.

W. H. Engle, in propria persona.

W. A. Prole, for Prole Traction Transfer.

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L. O. Hatch, for the city of Eagle Rock.
Clyde Woodworth, for the city of Inglewood.
E. W. Brown, for Organized Labor and Taxpayers.
Frank Karr and *O. A. Smith*, for the Pacific Electric Railway Company.
Robert G. Payne, for Hyde Park Improvement League.

BY THE COMMISSION.

OPINION.

An original and a supplemental application by the Los Angeles Railway Corporation (hereinafter referred to as the company) are before the Commission in this proceeding. The original application was filed on November 30, 1918. The company asked the Commission to make an investigation of its service and its financial condition and an order enabling it to operate its street railway system in such a way that the income would be sufficient to pay the cost of service, and to make such other orders as would appear necessary and equitable. In the original application, the company claimed that for some time it had been sustaining a heavy financial loss; that such loss was the result of increases in wages and the cost of materials; that during the two years preceding the application wages had been increased at least 45 per cent, and the cost of material from 50 to 150 per cent, and that the increase in wages alone, at that time, added to the operating expenses at least $1,200,000 per year and that the only source of income from which all of these increasing expenses could be met was the revenue resulting from the fixed 5-cent fare. Financial statements and statements of operating revenues and expenses were attached to the application, and showed that during the first ten months of 1918 the company operated with a deficit, after payment of fixed charges, ranging from a minimum of $5,591, in January of 1918, to a maximum of $93,794 in October of the same year.

In its original application, the company states that it desires to so operate its system, if possible, that it will be unnecessary to increase the 5-cent fare, and that it is willing to put into practice whatever economies of operation might appear necessary to the regulating authorities. The petition asks that the Commission make an investigation of all phases of applicant's operation and business, and that after such investigation such order be made as may be necessary to enable the company to comply with the changes prescribed.

In the first hearing before the Commission, in Los Angeles, in February, 1919, it was decided that the Commission's engineering department should make an investigation into all phases of the company's business, including finances, operation, and service, regardless of any jurisdictional questions as between the city of Los Angeles and the Commission. The city declared itself in agreement with this decision and promised that there should be complete cooperation between the department of

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the city engineer, the department of the board of public utilities, and the engineering department of the Commission during the course of the investigation. Full cooperation was also promised by all offices and departments of the company.

For a period of nine months, subsequent to February 4, 1919, the engineers of the city and of the Commission were engaged in this investigation. As a result, there was filed with the Commission, on November 10, 1919, our engineering department's report on service, operating and financial conditions of the company. Copies of the report were furnished to all parties to the proceeding and the Commission, thereafter, held a public hearing in Los Angeles on December, 1, 1919, when the engineering department's report was introduced as Commission's Exhibit I (Report on Service, Operating and Financial Conditions of the Los Angeles Railway Corporation, by Richard Sachse, Chief Engineer, dated November 10, 1919).

All of the matters and recommendations contained in Commission's Exhibit I were made the subject of exhaustive discussion on the part of the city council and the board of public utilities of the city of Los Angeles, and other city departments, as also on the part of the company.

The Commission reached the conclusion that a reasonable time should be allowed to test the results of certain of the recommendations made by our engineers and that the question of an increase in fares should be held in abeyance until the effect of the company's compliance with the recommendations became fairly clearly established. This also was the view of the representatives of the city of Los Angeles and of the other interested communities. For these reasons a decision and an order on the part of the Commission was deferred.

On August 23, 1920, applicant filed a supplemental application asking that the rate of fare be increased to care for the additional expense thrown upon the company since its original application had been filed by reason of further increases in operating expenses, these increases consisting principally of additional cost of power amounting to 27 per cent (approximately $250,000 per annum) and of further increases in wages (amounting to approximately $1,000,000 per year). The company also called attention to the fact that it was confronted with the imperative necessity of securing additional capital for betterments of plant and improvements of service. The supplemental application was made necessary, it was stated by the company, despite the fact that the recommendations made by the city's and Commission's engineers had been adopted and carried out by the company in so far as it was within its power, but that the material saving in operating expenses had been more than offset by increases in expenses.

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Results of Commission's Investigation.

The engineering department's report (Commission's Exhibit I) deals with, and contains recommendations on, the following matters:

1. Financial condition of applicant.
2. Valuation.
3. Investment, operating revenues and expenses, and balance sheet.
4. Franchise conditions.
5. Service and operation.
6. Rerouting plan.
7. Abandonment of certain lines.
8. Curtailment of service.
9. One-man safety cars.
10. Paving.
11. Street traffic congestion.
12. Reserve for depreciation.
13. Relation of company to its employees.
14. Relation of company to the public.
15. Organization and management.

At the hearing on December 1, 1919, there was introduced as Exhibit No. 1 of the city of Los Angeles the report of Chief Engineer Osborne of the board of public utilities. This report deals with the same matters of service and operation as are dealt with in the report of the Commission's engineers, and substantially similar recommendations are made.

No protest or objection was made to the engineer's report or to any of the recommendations contained therein by either the company or the city. After the examination of the Commission's chief engineer, Mr. Richard Sachse, the company's attorney made the following statement:

> I am prepared to make a brief general statement as to the position of the company with respect to this report. We think it is a very remarkable report. We are very much impressed by it. It discloses a comprehensive and expert study of the traffic and street railway transportation problems of the city of Los Angeles. We, in the main, agree with the conclusions expressed in the report. We believe that if the recommendations are carried out as a whole that we can give better service than we are giving now, and that the 5-cent fare can be maintained. Now, if these hopes can be realized, it certainly means a big thing for the city of Los Angeles. It will give the city a unique and enviable position, as far as street railway service is concerned, among the cities of this country.
>
> Now, our hopes may not be realized. If not, of course, we shall feel at liberty to come again before the Commission and ask for more revenue, increases in rates of fare.
>
> Now, I have said that we believe these desirable results can be achieved if the recommendations, as a whole, contained in the report, are put into effect. Now, that means that not only must the Los Angeles Railway Corporation do certain things, invest large sums of money, but it means also that the city of Los Angeles shall carry out its part of the program. And certainly if we go ahead and make the investment in one-man cars, and so forth, and in all the special work that will be necessary for the rerouting plan, we will expect the city of Los Angeles to do its part and relieve the intolerable conditions prevailing during the rush hours of the day, so far as automobile and other traffic is concerned.
>
> I think that expresses the attitude of the Los Angeles Railway Corporation with respect to this report.

It became apparent, during the course of the investigation, that the street railway problem could not be dealt with alone and apart from the

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general problem of traffic congestion in the downtown district. There was agreement by all parties that action on the part of the city authorities would be necessary to relieve, as far as possible, the general traffic congestion, if good street railway service were to be brought about. Commission's Exhibit I deals with this phase of the matter quite exhaustively. The position of the company in this respect is shown by the following quotation from the transcript of the hearing on December 1 (pp. 112–113):

COMMISSIONER EDGERTON: Now, Mr. Haskins, I gathered from your few questions to Mr. Sachse that the company was concerned in the matter of relief of street congestion in relation to street car operation?

MR. HASKINS: We certainly are.

COMMISSIONER EDGERTON: Will you tell us what improvement you believe, or the company feels there will be, by the relief suggested by the engineers for relief of street congestion as affecting operation?

MR. HASKINS: We know that it is absolutely necessary that the congestion during the rush hours of the day be relieved in order that we may give any kind of adequate service to the traveling public. Any one who has observed the operation of the street railway cars in Los Angeles knows that from 5 to 6.30 in the evening it is almost impossible to get the cars through town. Now, we can stand it, but the traveling public suffers, and certainly these people who use the street cars are entitled to some kind of reasonable service. No question about it. It is impossible to handle the traffic in the streets of the city of Los Angeles during the rush hours with any kind of system unless new ordinances are passed which will do away with parking and which will regulate the operation of the vehicular traffic on the streets.

COMMISSIONER EDGERTON: I take it, therefore, from all you have said, you feel on behalf of the company that in view of the company's willingness to perform its full part of the recommended reforms, that in turn the company has a right to expect the city will do its full part.

MR. HASKINS: That is our position exactly. We are both concerned in the same problem.

Action by the City.

As regards the position of the city authorities, the board of public utilities had, at the time of the December hearing, adopted—and adopted in full—the report of its chief engineer, Mr. Osborne (whose recommendations, as above indicated, were in complete agreement with the recommendations of the Commission's engineers) and had transmitted it to the city council with favorable recommendations. The Commission decided that before making an order, it would be desirable to await the action of the city authorities in respect to those recommendations that lay wholly and exclusively within the jurisdiction of the city. This conclusion was reached because it was evident that upon the action of the city would depend, to a large degree, the decision to be reached by the Commission.

Prohibition of Automobile Parking in the Congested District.

The main factor, as far as city action was concerned, was the attitude of the city authorities towards the recommended prohibition of

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automobile parking along the curbs of the main city streets in the congested district. The engineers of the board of public utilities and of the Commission made an exhaustive study of the pedestrian and the vehicular traffic in the downtown district. During June and July, 1919, a detailed traffic check was made at all important street intersections in this district and the character and the density of the traffic was noted and analyzed.

There is more automobile traffic in the city of Los Angeles (in proportion to the population) than in any other city in the country; and it is the automobile traffic, therefore, which represents the most serious traffic problem in the congested district. On May 1, 1919, the automobile registration for the city of Los Angeles was as follows:

Heavy trucks	5,500
Light delivery trucks	3,500
Passenger cars	54,000
Total	63,000

In the meantime this number has increased considerably and, taking into consideration the large number of cars not registered in Los Angeles but moving in the city streets, there are in the city at this time in excess of 75,000 motor vehicles.

The traffic check in June and July showed that during the rush hour from 5 to 6 p. m. 26,500 automobiles caused congestion on Main, Spring, Broadway, and Hill streets between Third and Eighth streets. In other words, the number of cars, either standing still or moving, in the most congested portion of the downtown district during the rush hour was equal to approximately 50 per cent of the total number of registered cars in the entire city.

It was also demonstrated by the engineers that the chief cause of congestion was not the moving automobiles, but the automobile standing still. The parking ordinance then in operation in Los Angeles permitting parking for only a limited period did not prevent congestion. From the standpoint of traffic, a car standing still and parking in a busy street undisturbed for a long time is less objectionable than a condition where a given parking space has to be made vacant every ten minutes and is immediately occupied by another waiting car.

Another cause of congestion was found in the indiscriminate turning to the right or to the left of vehicles at street intersections. By actual time check it was determined that at the most important street intersections, a vehicle consumes 300 per cent more time in making a right-hand turn, 350 per cent more time in making a lefthand turn, and 1700 per cent more time in making a 180 degree turn than in traveling in a through direction. This condition is also true of the street cars.

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The engineers were unanimous in their recommendation that all left-hand turning of vehicles at street intersections in the congested district should be prohibited and that only righthand turning should be allowed. They were also unanimous in their recommendation that parking in the congested district should be prohibited entirely on week days between the hours of 8 a. m. and 6 p. m. After careful consideration, we became satisfied that these conclusions were sound and that the proposed remedies, together with the elimination of street railway congestion to be brought about by the adoption of the rerouting plan, would go a long way toward relieving the intolerable congestion in the business district. There would also come about, if the proposed remedies could be made effective, a large saving in operating costs and in the time spent by the traveling public both in street cars and in automobiles and also by pedestrians.

This matter was fully discussed by the Commission with the city council and other city authorities; and after a very thorough and exhaustive study and consideration by the council of this recommendation and its possible effects, an ordinance was passed substantially in line with the recommendations of the city's and the Commission's engineers as approved by the board of public utilities and by the Commission. This ordinance has, in the meantime, become effective.

The board of public utilities has also given its consent to the rerouting of the entire street railway system as developed by the engineers and has made other recommendations to the council and to the street railway company indorsing the recommendations and proposals of the engineers' report.

We believe the statement is warranted at this time that the city has done everything in its power thus far to carry out its part of the program to make efficient and economical street car operation possible and to improve the general traffic conditions in Los Angeles.

The results of this method of procedure have, we believe, clearly demonstrated the wisdom of laying aside questions of jurisdiction as between the city and the state and the possibilities of effective co-operation between the local authorities and the Commission. In several respects this has been an unusual proceeding and the Commission hopes that its fortunate results will point in the direction of similar procedure by other communities with similar problems in this state.

Recommendations to Be Adopted by the Company.

The Commission has come to the conclusion that the company should adopt all of the recommendations contained in the engineering department's report, including the revisions in the supplemental report dated March 30, 1920. It is not practicable and not necessary to review in

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full this two hundred page report and merely a summary of the recommendations will be given in this decision.

The problems before this street railway utility appear to be these:

How to put the company into a financial condition that will permit of the most efficient and satisfactory service to the public.

How to reach a better and permanent basis of understanding with the city.

How to better the present service.

How to develop a policy of mutual satisfaction between the owners, the management and the employees.

How to create an organization and management capable of accomplishing the best possible results.

We are convinced that a solution of these questions must rest on these premises:

An increase in fares should be granted only as a last resort and only after the Commission is satisfied that every possible economy in operation and service is being practiced by the company under the best possible management. Operating savings should not be effected by decreases in wages or salaries. They should be effected in increased efficiencies in management and operation.

Leaving out of consideration the possibility of acquisition of this property by the city, with consequent municipal ownership and operation of the street railway (which can not be regarded as an immediate practical solution), a new and better relationship can best be brought about between the city and the company through a new general franchise (a so-called resettlement franchise).

A more satisfactory service should be established by making use of the most modern equipment and facilities with lower operating costs; by relieving street traffic congestion and by better and more direct routing of cars.

A policy of dealing with employees on the basis of merit only, and in absolute frankness and with the fullest publicity, should take the place of the past policy. It should be to the immediate and material interest of all employees to assist in enabling this utility to give the most efficient service at the lowest possible cost.

That method of organization should be adopted which will most readily permit of centralized, directly responsible and efficient management.

(1) Financial Conditions and Remedies.

It was the Commission's conclusion after Commission's Exhibit I had been introduced and made the subject of careful study by all parties, that an increase in street railway fares in any form was not then justified and might possibly be avoided, if the engineers' recommendations were carried out and the management and operation of the system put on an efficient and economical basis. The engineers' report demonstrated that very large savings in operating and other expenditures could be effected. The estimates contained in the report and the testimony of the engineers show that savings in operating expenses alone, not taking into consideration the increased earnings resulting from increased traffic, would amount to between $800,000 and $1,500,000 per annum, depending on the thoroughness with which the recommended changes are put into effect. In addition, there would be considerable savings in capital expenditures if these expenditures are compared with what would be required in new money under continued development of the old system of operation. It was also estimated that with these savings,

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the company would be able to meet its interest requirements and sinking fund obligations and in addition would have remaining a substantial surplus.

(2) Rerouting Plan.

The engineering investigation established the fact that the plan of routing and of schedules then in existence on the Los Angeles Railway system was obsolete and wasteful and should be radically changed. The engineers also came to the conclusion that one-man car operation, to the greatest possible extent, should be instituted.

A detailed rerouting plan was worked out resulting in the reduction of the operated car miles from 31,000,000 (estimated for 1920 under the present system of operation) to 27,000,000 (under the rerouting plan). This is equivalent to a saving of 4,000,000 car miles per annum (15 per cent of the company's entire mileage). This large saving is the most important cause for the reduced operating expenses resulting in the savings indicated above, and the estimated savings for this item alone amounts to at least $440,000 per annum.

In addition, there should come as a probably equally important consequence, a great relief to general traffic conditions in the congested district brought about principally by the elimination of 27 per cent of the total curvature in this district and by the elimination of all street railway operation on Third street between Main and Hill and on Eighth street between Hill and Lake, and by the turning of those streets over to vehicular and pedestrian traffic exclusively.

The Commission became satisfied that the rerouting plan would distinctly be in the interests of both the city of Los Angeles and the company. The feasibility of the plan from an operating and technical standpoint was fully discussed with the officials of the company and with the engineers of the city, and no point of impracticability and no changes for the worse have been developed.

In addition to the suggestions on operating and service conditions made to the Commission at the hearings in these cases by patrons of the railway, representatives of groups of residents and improvement clubs arrangements were made for conferences between the engineering department and any interested parties with any suggestions to offer towards improved service. A number of such conferences were held and many suggestions were made. These have all been carefully considered and the present rerouting plan embodies the last conclusions of the engineers of the city and of the Commission. The company, in the meantime, has accepted and put into effect the rerouting plan in its entirety.

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(3) Changes in Service.

In the matter of abandonment of lines and abandonment or curtailment of service, we believe the following principle should govern:

> Service should not be abandoned or curtailed if there is a real public need for it and if the operation of the system as a whole can be put on a self-sustaining basis. In other words, it may be necessary to continue certain service even if it is operated at a loss if, in the opinion of the regulating authority, public convenience and necessity demand that such service be given.

With this limitation, the factors of revenue and expense are, of course, of prime importance, and the company's policy in the future should be that new extensions should not be built unless there is a reasonable certainty that in the fairly near future each new extension will become self-sustaining. If another policy is followed the result will be that the great majority of the street car riders will be burdened with an ever growing cost of unproductive service.

With these guiding considerations in mind, the Commission recommended, and the board of public utilities of the city indorsed, certain changes in service (as described in the engineers' report) which have been put into effect by the company. It is understood, of course, that changes and improvements in service will continue to be necessary as the needs of the public demand such changes from time to time.

(4) One-man Safety Car Operation.

A careful study was made by the city's and our engineers of the feasibility of changing a part of the present equipment of the street railway system to the more modern type of equipment referred to as one-man safety cars. We are persuaded that the operation of one-man safety cars wherever practicable on the company's lines would be of great advantage not only to the company but also to the public. To the company the acquisition of such equipment would result in a very large operating saving—much more than sufficient to justify the required capital expenditure represented by the cost of these cars. To the public the result would be a more frequent and, therefore, more convenient service.

Two programs are suggested in the engineers' report for the installation of one-man cars: Program I provides for the immediate purchase of 100 safety type one-man cars at an estimated cost of $700,000 and the replacing of 80 of the present cars. These cars would be operated as proposed in the engineers' report. The result would be a net operating saving of $150,000 per annum after taking care of the interest required on the purchase price of the cars.

Program II provides for the purchase of 400 safety type one-man cars to replace 312 of the present cars and to be operated as indicated in the report. The cost of these cars is estimated to be $2,800,000,

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and the net result would be an operating saving of $625,000 per annum after taking care of interest payments on the additional equipment. This saving would permit a retirement of all of the present equipment replaced by these cars in about three and a half years.

The estimates of savings resulting from one-man car operation seem conservative, since experience in other cities has shown that there is a decrease in way and structure and other operating expenses which has not been taken into consideration in our figures. The increased revenue that is practically certain to result because of the larger number of passengers handled on these cars under a more frequent service is also not taken into consideration. This last item in other cities has amounted to from 10 to 25 per cent of the revenue derived under the old form of operation.

The company, since the original report of the engineers came into its hands, has purchased about 70 one-man safety cars, and the greater part of the number has been delivered and is in service.

It seems desirable that a thorough experiment should be made with this new type of equipment and as soon as successful operation is demonstrated, the company should make arrangements for the earliest possible purchase and delivery of additional equipment in order to come to a realization of the ultimate program laid down in the engineers' report. In our opinion, public approval of one-man safety-car operation will come in Los Angeles, as it has come in other cities, when the fact of more frequent and better service is definitely demonstrated, and that such improved service can be given with this class of equipment there seems to be no doubt.

(5) Reserve for Depreciation.

Payments into a depreciation reserve are a portion of operating expenses, and the proper sums to be set aside should, therefore, come ahead of fixed charges and other requirements. This company is following the practice of varying its depreciation allowance according to gross earnings and available net earnings regardless of the actual requirements for a depreciation reserve. Since 1911, the depreciation allowance has varied from a minimum of 4 per cent to a maximum of 8.4 per cent of gross income.

A policy under which a reserve for depreciation is treated as a secondary and theoretical proposition, and under which the payments into the fund vary with the earnings, is not a good one. In addition, the company, in common with other utilities in this state, handles its depreciation reserve as a bookkeeping matter only. There is at present no actual depreciation fund and there are no definite rules and regulations governing the use of such a fund.

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It has become evident of late, in connection with investigations into the street railway situations in Oakland and San Diego, that the setting aside of an actual and adequate depreciation reserve is a matter of prime importance, without which there can be no insurance of continuity of efficient and adequate service through permanency of roadway and equipment. Neither can there be a permanent protection of the integrity of investment in capital account without the actual replacement of depreciated plant property. The securing of the new capital constantly required in a property of this kind for additions, extensions, and betterments will also be much easier if depreciation is insured against in fact, and in cash, and not on paper only.

The purpose of the depreciation fund is simply this: to make provision for the replacement of certain depreciable property at the end of the reasonable expected life. It is not possible to estimate beforehand exactly what the annual allowance should be, but it is possible to approximate closely the actual requirements. The fund should be neither too large nor too small, and to accomplish this object it will be necessary, from time to time, to compare the actual depreciation of the property with the allowances and their accumulations and to either increase or decrease the periodical allowance as the actual conditions may warrant.

The depreciation fund should not be used for purposes other than those specified in the rules governing the use of the fund; and the accounting, investing, and disbursing of the fund should be under the control of the Commission. The fund should be invested with a view to safety only, and security of principal should not be sacrificed to earning power. The reserve should be held in the form of a sinking fund, analagous to a trust fund, and all earnings of the reserve should be added to the fund. It is not desirable to demand a large definite interest return from the depreciation reserve and it seems better to require merely that all earnings, whether large or small and as they may fluctuate from year to year, should become part of the fund, with the sinking fund rate fixed at as low as 6 per cent.

In Los Angeles the street railway property is in a good physical condition and the service at this time has not suffered because of the inability or disinclination on the part of the company to take care of depreciation. This condition exists because the earnings in the past, with the exception of the last year, have been sufficient to permit of all replacements being made directly out of the operating expenses in addition to meeting the company's fixed and other charges. In other words, this utility has not as yet been confronted with a condition where a desirable showing of a year's profit could be had only at the expense of the maintenance and replacement of the depreciated property. There is no

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guarantee, however, that in the future such a condition will not arise in Los Angeles as it has arisen elsewhere, unless an actual depreciation fund is set aside and accumulated.

Wherever the character of the service permits, it is the Commission's purpose to allow, to utilities operating in California, such rates as will enable the utility to give good service, permit the utility to earn all necessary and reasonable expenses, to protect—as far as possible—the integrity of actual and reasonable investment and in addition to allow a fair return on the proper rate base. It is clear that in the fixing of utility rates provision for keeping the plant intact is of vital importance to the public utility owner, as well as to the utility user. This phase is of particular importance when a public utility is looked upon not as a temporary business, but a permanent and continuing enterprise essential to public service.

We know of no better method for insuring this permanency of good service and, consequently, of utility investment and plant, than the establishment of an actual and permanent depreciation fund. The payments into the fund are part of operating expenses in exactly the same sense as operating labor and material, and it is to the rate payer's interest to have included in the rate he is to pay a proper allowance to take care of inevitable depreciation. Continued good service can not be had without such allowance.

It must follow with equal insistence, on the other hand, that the allowance granted by the Commission for the depreciation fund can not be used at will by the utility for whatever immediate purpose the money accumulated in the fund might profitably be used. The depreciation fund, undoubtedly, should be considered in the nature of a trust fund to be used for the purpose only for which it is intended and for which it is allowed by the Commission. To hold otherwise would mean the placing of an unfair burden on the consumers who are made to contribute that money.

The engineers for the city, the company, and this Commission together have made a careful estimate of a proper depreciation allowance for this company and there is agreement between them as to the result.

It is our opinion that the company should be required to set aside for this purpose the sum of $720,000 per annum in monthly installments of $60,000, under regulations prescribed by the Commission. This amount will permit the replacement of a total amount of depreciable property proposed to be taken care of in this reserve of $14,958,000, within an average life of approximately 14 years, assuming that the average interest earnings of the fund are approximately 6 per cent. Allowance for the depreciation fund item is made by the Commission in the rate fixed.

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(6) Organization and Management.

It became evident to us that the size and operations of the Los Angeles Railway had outgrown its system of organization and that a modern system with centralized authority and definitely placed responsibility should be adopted.

It should be a matter of course that an organization be created which will make it possible to obtain the best operating results and which will first eliminate, as far as possible, all waste, duplication, and inefficiency in the general offices and the various departments of the company.

The course of the investigation convinced us that much improvement is possible in practically every department of the company, including the present department of transportation and traffic, the mechanical department, the electrical department, the engineering department, the auditing, secretary and treasury department, and the claims department. The engineers' report indicates that great economies can be effected and that the efficiency of the organization can be increased by a different method of handling the purchasing of materials, stores, claims, the keeping of operating records, legal matters, etc. Great improvement and important savings can be effected in the handling of electric power. A program dealing with this phase of the company's operation is suggested in the engineers' report. This program contemplates the resectionalizing of trolleys, the rearrangement and change of feeders, the survey of substation conditions with a view to a reduced capacity for certain stations and the installation of new stations for the reduction of power losses, the improvement of voltage, the elimination of electrolysis, the increase of flexibility of distribution and the decrease in delays and interruptions to service.

We believe it possible to provide for better interchange of power with the Pacific Electric; for modernization of high tension switching in substations and for competent centralized line dispatching with inspectors. The matter of track bonding should be handled in a manner different from the present method.

Proper methods of storing supplies and property and efficient methods of salvaging and selling scrap material should be instituted. Great improvement to service and some saving can be effected by the rearrangement of the company's telephone system in order to permit of more flexibility in the control of car movements. Power losses on the company's high tension lines, we believe, can be reduced by taking appropriate measures.

In these matters of organization and management, the company has already indicated to the Commission its complete acceptance of the recommendations. A number of the proposals have been carried out and the more important ones are in the process of being accomplished.

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It is desirable, however, that the Commission be kept informed in these matters to the end that the best results may be speedily accomplished.

The Franchise Situation.

To both the city and the company a permanent settlement of the franchise question is of utmost importance. Several important franchises covering some of the company's essential lines will expire in the near future. A regranting of piecemeal franchises will not be to the best interests of the city. Since, under the terms of the present franchises, the company retains the track structure and all other property, the company can, in case the franchise is not regranted, take up the track and discontinue operation. For the city to acquire the railway properties piecemeal at the expiration of the franchises would practically be out of the question.

The best solution, from the point of view of both the city and the company, would seem to be the acceptance by both parties of a form of so-called "indeterminate resettlement franchise." Such a franchise can be drawn to protect properly all parties and interests. The new franchise should cover all of the company's operation within the city limits of Los Angeles.

The conditions of a resettlement franchise will, of course, be the subject of negotiations between the city and the company. Since at best it will take considerable time before a matter of such magnitude can be agreed upon and settled, it would seem of utmost importance to both parties to commence negotiations at once. In any event, the franchise question should be settled before any considerable number of franchises expire, in order to put the company in a position where it can make proper provision for financing such reconstruction and new construction as may become necessary. If, in a resettlement franchise adequate provision is made for the taking over of the street railway system by the city under proper methods of determining the value of the property and the payment of just compensation, the further development of street car facilities will progress as it should with the rapid and continued growth of the city. In the absence of an adequate franchise, the further street car development must lag and service must suffer.

One of the most important provisions in the present franchises, and one of the most burdensome to the car riders, is the matter of paving. Paving represents over 10 per cent (approximately $2,650,000) of the entire reproduction cost of the company's system and the expense of paving maintenance has, on an average per annum during the last eight years, amounted to over $128,000. Assuming a ten-year life for pavement (a conservative estimate), the depreciation amounts, on the straight line basis, to $265,000 per annum, and interest at 6 per cent on

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the capital investment amounts to $160,000, making a total annual expense of:

Maintenance	$128,000 00
Depreciation	265,000 00
Interest	160,000 00
Total expenses	$553,000 00

About 6 per cent of the company's gross revenue is at present required to pay this paving bill.

The question must be answered whether, under present conditions, it is equitable and in the best interests of the city to continue such a burden on the street railway and, therefore, on the car riders.

In the earlier history of street railway operation, paving clauses were inserted in the franchises in an effort to make the companies share some portion of the street railway profits with the municipality which granted the franchise. No objection could be offered to such procedure if the old conditions still existed. They no longer exist, however. The speculative profit has been entirely eliminated from street railway operation during the last years and it is now no longer a question of excessive profits, but rather one of finding the necessary revenue to pay operating expenses, depreciation, and a moderate return on actual value or actual investment. In addition, the great change brought about by electrical operation, as compared with the old horse-cars, has had a large effect on this item. The fact is that the paving between the rails and outside the rails is not used or required for the operation of the electric street railway. It is required and worn out (and to a greater degree than paving on other streets) by other traffic.

These are the two main reasons why paving expenditures are now different from what they were in the past. It can be demonstrated that the street railway patron in many instances is not only forced to pay the cost of paving which does not contribute to his benefit, but is forced to pay for paving which contributes to his detriment. This is true because of greater delays to street railway traffic, in well-paved streets, caused by other traffic. Under present conditions the car riders pay from 40 to 50 per cent of the cost of paving on all streets on which there are car tracks, the property owners on such streets receiving the increase in property values due to the immediate proximity of means of transportation and bearing the lesser cost of paving as compared with the owners of property on streets not occupied by car tracks.

The paving question is also of importance from another standpoint: If the city of Los Angeles should seriously contemplate municipal ownership and operation of its street railways, the cost of this system to the city would be very materially lessened if the company should be

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relieved from the unnecessary capital expenditures for paving and from unnecessary paving maintenance expense.

The introduction of the modern light-weight one-man car on certain lines will eliminate the necessity for the heavy-type track construction, and a less expensive track and less expensive standards will be possible and will better serve the company and the city.

It is possible, in our opinion, to work out an intelligent and detailed plan for dealing with this matter. We suggest early consultation between the city and the company for the formulation of a better paving program in connection with the working out of a resettlement franchise.

Changed Condition Since November, 1919.

The items discussed above are, in the main, a resume of the matters contained in Commission's Exhibit I and of the recommendations made by the engineers and concurred in by the Los Angeles city authorities and by this Commission.

The main purpose of the operating economies referred to was to avoid, if possible, an increase in the 5-cent fare in the street railway system of Los Angeles by producing sufficient income for the company to enable it to give first-class service. A decision was deferred until the effect of the measures taken could be determined.

It was estimated by our engineering department that the savings resulting from their recommendations would enable the company, in 1920, to meet all of its interest requirements and sinking fund obligations and, in addition, leave a substantial surplus. The savings as compared with the results under the old system of operation were estimated, with all recommendations carried out, as over $1,000,000 per annum. The actual operating results up to and including December, 1920, show totals for the year as follows:

Operating income	$9,032,293 00
Operating expenses	7,246,683 00
Gross income	1,785,610 00

Taxes, interest, and other proper deductions from gross income for the year amount to $1,712,949, leaving a net income from railway operation of $72,661.

It may be said that the company has in good faith carried out, to the extent that it has been possible thus far, the city's and the Commission's recommendations in the matters of re-routing, organization, and management, and in matters of service. Our recommendations on nonparking of automobiles in the congested district have been partially adopted by the city with a very considerable improvement in street car

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operation and in service conditions and with an equally marked improvement in general street traffic congestion. The estimates of savings from one-man car operation and from rerouting appear to have been sound, in so far as it has been possible to check the results at this time. The company's actual revenue was greater than estimated, due to the large increase in traffic. The estimate of operating expenses was very nearly correct until the unexpected increases in power costs and the further wage increases occurred. These large aggregate increases, amounting to approximately $1,250,000 per year, practically absorbed the benefits of operating savings and a part of the net earnings from increased traffic.

An estimate of operating results for 1921 made by our engineers shows that the company, under present rates of fare, must expect a deficit, after providing for operating expenses, depreciation, fixed charges, and sinking fund.

Valuation and Rate Base.

A complete valuation of this company's property was made in connection with Application No. 8894. This valuation was as of December 31, 1913, and two figures were found at that time:

Reproduction cost operative property	$22,322,430 00
Reproduction cost less depreciation, operative property	19,217,269 00

By adding new capital expenditures and betterments for the years 1914, 1915, 1916, 1917, and 1918, and by deducting all retirements the valuation figures for December 31, 1918, became the following:

Reproduction cost	$26,046,764 00
Reproduction cost less depreciation	22,900,000 00
Condition per cent 89.	

Additional capital expenditures from December 31, 1918 to June 30, 1920, have been made by the company, amounting to $671,756. These expenditures were the result principally of carrying out the rerouting and one-man car program recommended by the city and by us. We have, therefore, a total historical reproduction cost undepreciated, as of June 30, 1920, of $26,198,365. A condition per cent of 80 is estimated by our engineers and results in an historical reproduction cost less depreciation of $20,958,692.

In order to give adequate service, it is essential that the company make certain extensive capital expenditures during 1921 and 1922. Our

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engineering department lists the principal of these requirements as follows:

Cars—132 additional	$1,400,000 00
Buildings—Housing facilities for additional equipment	600,000 00
Mechanical—Additional shop equipment, etc.	600,000 00
Substation—New substation building and equipment	600,000 00
Track equipment, machinery, etc.	75,000 00
Track extensions and betterments	700,000 00
Living quarters for section employees	25,000 00
Total	$4,000,000 00

In addition, the company is faced with considerable reconstruction expenditures which will be chargeable partly to operation and partly to capital account. These other capital items are expected to amount, in the next two years, to not less than $1,000,000.

It is expected that these new expenditures will pay their own way from the beginning. The financing of the necessary additional equipment, power, and shop expenditures, especially, should present no difficulties. The proposed new cars will pay for themselves in a short time and expected operating savings and improved service conditions appear to justify the other proposed betterments.

Taking into account a reasonable return on a reasonable rate base, the revenue required to meet normal expenses for the next 12 months is estimated by our engineering department as follows:

Operating expenses	$7,000,000 00	
Depreciation annuity	720,000 00	
Taxes	475,000 00	
Expenses exclusive of "fair return"		$8,195,000 00
Fair return 8 per cent on rate base of $26,198,365 (historical reproduction cost undepreciated—operative property)		2,095,869 00
Total revenue required		$10,290,869 00

If adequate street railway service is to be given in Los Angeles, there appears to be no possibility for the company to secure the necessary revenue under a continuation of the flat 5-cent fare. An increase in the fare in some form, we are satisfied, should be authorized if street railway service is not to suffer and great injury is not to result to the development of the city. Several means are available to secure additional revenue. A flat increase to a 6-cent fare is asked for by applicant.

Adoption of a zone system has been suggested. No detailed study has been made, however, to determine what the effect of the institution of such a system would be on the city or on the company. It is apparent that there is a very widespread opposition to zone fares within the present 5-cent fare limits, and it is also true that there would be serious

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difficulties in fare collection if a zone system were adopted. In view of the conditions existing in Los Angeles we are inclined to believe that zoning of the city should not be undertaken without further careful study and only as a last and inevitable remedy.

A third possibility, and one that has been suggested, is the imposition of a transfer charge. We are satisfied such a charge would result in an unjustifiable discrimination between different users of the street railway and the discrimination would be particularly obnoxious under the peculiar conditions obtaining in Los Angeles, where a large percentage of transfer passengers are short-haul riders. There would also result from a transfer charge a discrimination between various business localities in the downtown district.

It is apparent that the company is not entitled to the full amount of additional revenue that would be produced by a flat increase to a 6-cent fare and no burden should be placed on street car patrons unless entirely necessary and justified. A fair result may be obtained for applicant, its patrons, and the city we believe, if a distinction is made between the occasional street car user and the regular patron. We see no necessity to increase the present 5-cent fare to the regular patron if the company will adopt a system whereby, in the form of tokens or a strip of tickets, ten (10) fares are sold at one time to one customer for fifty (50) cents and if the individual ride is increased to 6 cents. Both the single 6-cent fare and the 5-cent token fare should retain the present transfer privileges. Our engineering department estimates the total number of 5-cent fares in 1920 as 180,650,000. With two-thirds of this total number assumed to be token fares at 5 cents (assuming blocks of 10 fares are sold for 50 cents), and the other one-third 6-cent fares, and with a further estimate of a normal increase in traffic in the next twelve months of 5 per cent, the company may expect a gross revenue under this rate arrangement of approximately $10,120,000. This gross revenue, on the engineering department's estimate of expenses, will leave the applicant a net of $1,925,000 or 7.4 per cent on the rate base of $26,198,365. It is to be remembered that further savings will result from operating economies suggested by the Commission and, also, that an estimate of only 5 per cent increase in traffic must be considered as conservative. In 1920 the growth in traffic increased gross revenue as compared with the preceding year by over 20 per cent.

It is not practicable to estimate more closely revenues and expenses and the proportions of sales of different classes of fares.

In a time of declining costs and prices, and having in mind the unavoidable uncertainties in estimates of this nature, it may confidently be expected that applicant will earn, under the rates suggested, and

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under economical and efficient management, a full measure of the contemplated fair return. With the income from the rates fixed in this decision, the applicant will be in a position, we believe, to secure the necessary capital for new equipment, betterments, and extensions, and the Commission will expect the betterment program be carried out. The company will be asked to make monthly reports to the Commission showing what additional equipment is purchased, delivered, and placed in service each month and what has been done to carry out the other recommendations. With the betterments already accomplished through the recommendations of the city's and the Commission's engineers, and after the changes and improvements are made that are contemplated in this decision, street railway service in Los Angeles should be adequate and satisfactory.

ORDER.

Original and supplemental applications having been filed by the Los Angeles Railway Corporation for an investigation of its service and of its financial condition, and for an order granting authority to increase its rates of fare so that the income would pay the cost of the service; an investigation having been made jointly by the city of Los Angeles and this Commission, public hearings having been held, and the Commission being advised of the facts set forth in the foregoing opinion:

It is hereby ordered,

1) In the matter of service and operation.

That applicant use all diligence to continue to put into effect, to the fullest extent and as early as possible, all of the recommendations contained in the foregoing opinion dealing with matters of service and operation;

(2) In the matter of organization and management.

That applicant adopt and keep in effect a system of organization and management substantially in accordance with recommendations made to it and referred to in the foregoing opinion;

(3) In the matter of franchises.

That applicant enter into negotiations with the city of Los Angeles for the purpose of exchanging on reasonable terms its present limited franchises for a form of indeterminate resettlement franchise covering all of the lines in operation within the city limits of Los Angeles;

(4) In the matter of a depreciation fund.

That applicant set aside into a separate depreciation fund monthly the sum of $60,000 ($720,000 per annum) to insure against the depreciation of property in existence on December 31, 1918. Insurance against depreciation of property built or acquired subsequent to that

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date shall be accomplished by setting aside additional amounts on such basis as may be indicated in the rules to govern the depreciation fund hereinafter referred to. All earnings of the fund from whatever source, and to whatever amount, shall be added to the fund. The fund shall be held and accounted for under the direction, and shall not be used without the authority of this Commission.

Applicant is ordered to submit to the Commission within thirty (30) days from the date of this order such rules for the accounting and use of this fund as will embody the suggestions of applicant in this matter. Such rules shall not become effective until approved by the Commission;

(5) In the matter of rates.

That applicant is hereby authorized to file with the Commission and put into effect within thirty (30) days from the date of this order a schedule of rates increasing the present basic 5-cent fare to 6 cents, provided that tickets or tokens be put on sale at the company's offices, on the company's cars, and at such other points as the company may select, in blocks of ten (10) tickets or tokens at a total cost of 50 cents for each block; and provided further that the single 6-cent fare, as also the reduced rate ticket or token fare, shall retain transfer privileges as at present in existence. The reduced ticket or token fare shall be transferable and good at any time, but the company shall not be required to redeem unused tickets or tokens.

In order to enable the Commission to keep a check on the carrying out of the provisions contained in this opinion and order,

It is further ordered, that applicant submit to the Commission periodically, and in such form as may be specified by the Commission, the following information:

(1) Monthly schedules of the adopted recommendations and of the manner and the time within which they have been, or will be, put into effect;

(2) Monthly statements comparing the financial and operating results between the old system of operation and the system as revised in accordance with recommendations in this decision, together with monthly operating reports;

(3) The adopted chart of organization with the names of the heads of departments and their responsibilities and hereafter monthly reports showing changes in the organization.

The Commission reserves the right to make such further orders in this proceeding as may seem necessary and desirable.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirty-first day of May, 1921.

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MISCELLANEOUS AND SUPPLEMENTAL ORDERS.

AUTO STAGE APPLICATIONS.

DISMISSALS.

GRADE CROSSINGS.

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TABLE A. Miscellaneous and Supplemental Orders.

Dec. No.	Application No.	Applicant	Nature of proceeding	Date
8305	5465	J. H. Moore	Authorized to transfer small telephone system to R. W. Barnett	Nov. 5, 1920
8316	5262	Imperial Utilities Corporation	Supplemental order reducing monthly payments to be made on outstanding notes	Nov. 8, 1920
8325	5728	Southern Pacific Company et al	Directed to establish 10 cent fare for children between San Francisco and East bay points	Nov. 15, 1920
8326	6295	Southern Pacific Company	Authorized to move depot from east to west side of track—Burlingame	Nov. 15, 1920
8336	6251	Brea Townsite Company	Authorized to transfer water system to city of Brea	Nov. 15, 1920
8348	6173	F. W. Crouch	Authorized to abandon water service to three irrigation consumers	Nov. 15, 1920
8351	6032	Tuolumne Transmission Company	Authorized to transfer electric properties to Sierra and San Francisco Power Company	Nov. 17, 1920
8392	6288	Pacific Telephone and Telegraph Company	Granted certificate to operate telephone service, Madera	Nov. 27, 1920
8396	6309	Petroleum Products Company	Order approving wharf franchise, Contra Costa County	Nov. 27, 1920
8410	6290	Peninsular Railway Company and Southern Pacific Company	Former authorized to lease half mile of trackage to latter company	Dec. 2, 1920
8424	6249	Walkup Drayage and Warehouse Company	Approving stipulation as to stock proceeds	Dec. 8, 1920
8427	6310	Antelope Creek and Red Bluff Water Company	Authorized to transfer water plant to city of Red Bluff	Dec. 8, 1920
8431	6309	Petroleum Products Company	Approving stipulation as to franchise value	Dec. 8, 1920
8474	6004	Vista Land Company	Authorized to abandon water service as a public utility	Dec. 20, 1920
8478	5325	Los Angeles and Santa Barbara Motor Express Company	Supplemental order authorizing issuance of additional stock	Dec. 20, 1920
8503	6361	Auto Transit Company	Authorized to issue $5,000 par value of capital stock	Jan. 3, 1921
8512	4515	Cuyamaca Water Company	Consumers' petition for rehearing denied	Jan. 4, 1921
8513	6419	Chinese Camp, Jamestown and Sonora Telephone Company	Authorized to abandon service	Jan. 4, 1921
8555	4818	San Bernardino Home Telephone and Telegraph Company	Authorized to transfer property to Union Home Telephone and Telegraph Company	Jan. 4, 1921
8556	6136	Imperial Valley Gas Company	Authorized to abandon service at El Centro	Jan. 17, 1921
8559	6447	G. W. McNear, Incorporated	Approving wharf franchise, Port Costa	Jan. 17, 1921
8560	6448	G. W. McNear, Incorporated	Approving wharf franchise, Port Costa	Jan. 17, 1921
8561	6449	G. W. McNear, Incorporated	Approving wharf franchise, Port Costa	Jan. 17, 1921
2580	6481	Bechtel & Voigt	Authorized to transfer small water plant at Empire	Jan. 24, 1921
8611	6447	Geo. W. McNear, Incorporated	Approving stipulation franchise value	Feb. 5, 1921

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8612	6448	Geo. W. McNear, Incorporated	Approving stipulation franchise value	Feb. 5, 1921
8613	6449	Geo. W. McNear, Incorporated	Approving stipulation franchise value	Feb. 5, 1921
8640	6363	East Bay Water Company	Approving sale of real estate	Feb. 21, 1921
8397	C1432	Pacific Rice Growers Association vs. Southern Pacific Company et al	Complainants' petition for rehearing denied	Mar. 4, 1921
8743	6329	Monrovia Telephone and Telegraph Company	Authorized to dispose of exchange building	Mar. 14, 1921
8754	6405	Pacific Telephone and Telegraph Company	Granted certificate—Merced	Mar. 17, 1921
8756	6489	Pacific Telephone and Telegraph Company	Granted certificate—Modesto	Mar. 17, 1921
8757	6490	Pacific Telephone and Telegraph Company	Granted certificate—Coalinga	Mar. 17, 1921
8761	6335	Pacific Telephone and Telegraph Company	Authorized to purchase stock of Associated Telephone Company	Mar. 17, 1921
8764	5550	Santa Maria Gas Company	Amending order with reference to disposition of proceeds of bonds	Mar. 17, 1921
8784	C1487	City of Oakland vs. Southern Pacific Company	Petition of defendant for rehearing denied	Mar. 26, 1921
8792	6358	Hamilton and Rutledge	Authorizing the sale of water plant, Lancaster	Mar. 28. 1921
8801	5550	Santa Maria Gas Company	Authorizing use of $9,638.33 proceeds of bond sales for improvements	Mar. 28, 1921
8807	6338	G. M. Phelps	Authorized to sell small water system at Arcadia	Mar. 30. 1921
8817	6514	Joscelyn and Fitzgerald	The former authorized to purchase water system of latter	April 1, 1921
8826	6657	East Bay Water Company	Authorized to sell certain real property	April 8, 1921
8825	6647	Johnson and Scarborough	Authorized to transfer small water system at Perry	April 8, 1921
8861	6338	Western Pacific Railroad Company	Amending prior order with reference to disposition of proceeds of bonds	April 15. 1921
8878	C1417	Geo. A. Johnson vs. Port Costa Water Company	Amending prior order with reference to size of mains	April 16, 1921
8885	6397	Northern California Wool Wholesale Company	Approving stipulation	April 19, 1921
8902	6335	Pacific Telephone and Telegraph Company	Authorizing applicant to purchase telephone company stock	April 26, 1921
8905	6638	Western Pacific Railroad Company	Amending decision No. 8861 authorizing issuance of bonds	April 29. 1921
8914	5550	Santa Maria Gas Company	Authorizing disposition of proceeds of bond sales	May 2, 1921
8932	5212	East Bay Water Company	Supplemental order directing disposition of proceeds of stock sales	May 2, 1921
8971	6817	Fresno Canal and Land Corporation	Authorized to transfer irrigation system to Fresno Irrigation District	May 14, 1921
8974	6294	Western States Warehouse Corporation	Approving stipulation	May 14, 1921
8996	4064	Midland Counties Public Service Corporation	Amending order as to allocation of expense	May 21, 1921
9013	6568	Spring Valley Water Company	Authorized to sell certain acreage	May 26. 1921
9028	6314	Coast Valleys Gas and Electric Company	Petition for rehearing gas rates denied	May 31, 1921

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TABLE B. Auto Stage Applications.

Dec. No.	Application No.	Applicants	Nature of proceeding	Action	Date
8307	6181	C. E. Garner	Rescinding order authorizing transfer of stage line		Nov. 5, 1920
8308	5742	Haley and Mahoney	Granting applicants extension of time to file tariffs		Nov. 5, 1920
8310	6206	Arthur J. Gunn	To operate passenger service, Kelseyville-Lakeport	Granted	Nov. 5, 1920
8313	5789	W. A. Goetze	To operate passenger and freight service, Weaverville-Helena	Granted	Nov. 5, 1920
8317	6202	Charles R. Holbrook	To increase rates, Huntington Park-Cudahy	Granted	Nov. 8, 1920
8128	5389 / 6180	Geo. H. Harter	To transfer stage line to F. Lopez, Salinas-Hollister	Granted	Nov. 8, 1920
8319	6182	E. D. Hall	To operate freight service, Van Nuys-Lankershim-Burbank	Granted	Nov. 8, 1920
8320	6213	W. J. Cavitt	To transfer stage line to Monk and Elkins, San Jose-Los Gatos	Granted	Nov. 8, 1920
8324	6205	S. H. Dunbar	To lease stage line to B. A. Perry, Oakland-San Jose	Granted	Nov. 15, 1920
8327	6160	Stuart and Douglas	To transfer stage line to L. A. Richardson, Sacramento-Placerville	Granted	Nov. 15, 1920
8329	6245	Guy McGuire	To transfer stage line to Lee Rosier, Los Angeles-Venice	Granted	Nov. 15, 1920
8331	5741	Mathew and Lopez	To transfer stage line to Peerless Stage Company, San Jose-Hollister	Granted	Nov. 15, 1920
8342	5726	C. S. Countryman	To operate passenger service, Sterling-Chester	Denied	Nov. 15, 1920
8352	6227	E. V. Rideout Company	To lease operative rights to Highway Trans. Co., Alviso-San Jose	Denied	Nov. 17, 1920
8354	6297	Serop Mektaroff	To sell stage line to J. Bozoff, Los Angeles-Moneta	Granted	Nov. 22, 1920
8367	6212	T. K. Vance	To increase freight rates, Los Angeles-Pomona	Granted	Nov. 26, 1920
8368	6027	Erben Henry	To operate freight service, Harpers Station-Los Angeles	Granted	Nov. 26, 1920
8377	6271	Ray-Warner-Nickerson	To transfer auto stage line, Sacramento-Woodland	Granted	Nov. 26, 1920
8384	6298	O. R. Fuller and Motor Transit Company	To transfer stage line operated between Los Angeles and San Diego	Granted	Nov. 27, 1920
8394	6296	Fowler and Fredericks	To transfer stage line, Lincoln-Sacramento	Granted	Nov. 27, 1920
8395	6305	Beckley and Collins	To transfer stage line, Saugus-Los Angeles	Granted	Nov. 27, 1920
8403	5887	Fletcher and Tremble	To operate freight service, Los Angeles-San Bernardino	Granted	Nov. 30, 1920
8407	6227	E. V. Rideout Company	On petition for rehearing to transfer rights	Denied	Nov. 30, 1920
8408	6168	C. C. and E. E. Whaley	To operate auto freight service, Santa Cruz-San Francisco	Granted	Nov. 30, 1920
8414	5921	Ralph Atkinson	To operate passenger service, Santa Monica-Long Beach	Granted	Dec. 4, 1920
8418	6331	Joseph Miller	To change route between Lemoore and Coalinga	Granted	Dec. 8, 1920
8419	6308	Bridgham, Garvin and Sparks	To transfer interest in stage line, San Diego-Escondido	Granted	Dec. 8, 1920
8420	6327	Berry, Huntington and Mith	To transfer stage line, Red Bluff-Forest Glen	Granted	Dec. 8, 1920
8421	6269	Redfern and Painter	To transfer stage line, Dos Palos-South Dos Palos	Granted	Dec. 8, 1920
8422	6351	Lawson and McSherry	To transfer stage line, Santa Rosa-Sausalito	Granted	Dec. 8, 1920
8423	5940	Mektaroff and Bozoff	Supplemental order rescinding transfer		Dec. 8, 1920
8428	6336	H. A. Wilson and S. C. Hamilton	To transfer stage line, Los Angeles-Universal City	Granted	Dec. 8, 1920

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8429	6253	Allen and Morgen	To transfer stage line, Fresno–Firebaugh	Granted	Dec. 8, 1920
8432	6107	Walter Goslin	To operate stage service, San Pedro–Redondo	Granted	Dec. 8, 1920
8433	6220	John Bardin	To operate freight service, Oceano–Arroyo Grande	Granted	Dec. 8, 1920
8435	5921	Ralph Atkinson	Restricting certificate heretofore granted as regards intermediate points		Dec. 10, 1920
8450	6377	Blaben and Held	To transfer operative rights between Oakland and San Jose	Granted	Dec. 20, 1920
8452	6363	United Stages, Incorporated	To operate passenger service between Mecca and Westmoreland	Granted	Dec. 20, 1920
8453	6367	Knox Bros. and Clement Bros.	To transfer stage line, King City–Salinas	Granted	Dec. 20, 1920
8454	6371	Talbot and Ainsworth and Seeley	To transfer stage line, Sacramento–Plymouth	Granted	Dec. 20, 1920
8455	6374	Stinchfield and Bennett	To transfer stage line, Rainey–Meadow Valley	Granted	Dec. 20, 1920
8463	5609	Frank Imhoff	To operate stage service, Huntington Lake	Denied	Dec. 20, 1920
	6314	W. R. Miles		Granted	
	6378	Huntington Lake Hotel Company			
8465	5105	A. R. G. Bus Company	To operate stage service, Los Angeles, Long Beach, San Diego	Granted	Dec. 20, 1920
	6009	Compton Transportation Company		Denied	
8466	5758	Western Motor Transport Company	To operate stage service, Vallejo–Healdsburg	Granted	Dec. 20, 1920
8467	5763	Walter M. Collins	To operate passenger service, Tulare–Porterville	Granted	Dec. 20, 1920
8471	5905	Francis M. Gray	To operate stage service, Fresno Mariposa	Denied	Dec. 20, 1920
8473	5970	Fudge and Davies	To operate passenger service, Madera–Friant	Denied	Dec. 20, 1920
8476	5880	H. H. Davis	To operate freight service, Fresno–Madera	Granted	Dec. 20, 1920
8484	6364	Welsh Bros.	To operate passenger service, Blythe–Neland	Granted	Dec. 22, 1920
8485	6385	Fudge, Davis and Lowry	To transfer stage line, Fresno–Auberry	Granted	Dec. 22, 1920
8490	6401	Bay Shore Stage Company Western Motor Transit Company	To transfer stage line, Oakland–Vallejo	Granted	Dec. 23, 1920
8501	6289	R. R. Young	To operate over alternative route, Stockton Sonora	Granted	Jan. 3, 1921
8502	6137	Lee Rosier, W. C. Manley	Former to sell stage line to latter, Los Angeles–Santa Monica	Granted	Jan. 3, 1921
8504	5951	E. C. J. Craig	To operate passenger service, Santa Barbara–Santa Maria	Granted	Jan. 3, 1921
8505	6187	J. O. Ernest	To operate freight service, Los Angeles–Long Beach	Granted	Jan. 3, 1921
8515	6409	M. H. McGary and J. J. Ratto	To transfer auto freight line, Jackson–Plymouth	Granted	Jan. 4, 1921
8520	6286	Otis A. Moore	To operate freight service, Los Angeles	Granted	Jan. 7, 1921
8523	6080	Staples and Gray	To operate passenger and freight service, San Francisco–Pescadero	Granted	Jan. 8, 1921
8527	6403	Howard Childs	To operate passenger service, Red Bluff–Manton	Granted	Jan. 8, 1921
8528	6168	Cadrett and Halverson	To transfer stage line, Modesto La Grange	Granted	Jan. 8, 1921
8532	6456	Bell and Barlow	To transfer stage line, Los Angeles–Arcadia	Granted	Jan. 10, 1921
8533	6472	Drayage Service Corporation	To transfer stage line, San Francisco–Oakland	Granted	Jan. 10, 1921
8534	6454	Hamilton, Demick, Bolton and Bennetts	To transfer stage line, Fresno–The Pines	Granted	Jan. 11, 1921
8537	6452	Hamilton and Lord	To transfer stage line, Pasadena–Pomona	Granted	Jan. 11, 1921
8547	6397	J. O. Hagan	To operate passenger service between Fresno and Raisin City	Granted	Jan. 17, 1921
8551	4390	Stevenson and Kephart	To operate passenger stage service between Los Angeles, Riverside, Westmoreland, Mecca, Brawley and Coachella	Denied	Jan. 17, 1921
	4682	United Stages, Incorporated		Denied	
	6240	G. and W. Stage Company		Denied	
	6363	United Stages, Incorporated		Granted	

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TABLE B. Auto Stage Applications—Continued.

Dec. No.	Application No.	Applicants	Nature of proceeding	Action	Date
8552	6355, 6375	Geo. Teaford, Teaford and Robb	To transfer certificate between Fresno, The Pines, and to extend service	Granted	Jan. 17, 1921
8554	5766	Walter M. Collins	Limiting service to intermediate points, Tulare-Porterville		Jan. 17, 1921
8557	6158	L. E. Mallery	To operate freight service between San Bernardino-Barstow	Granted	Jan. 17, 1921
8558	6268, 6332	C. E. Sansome, Kitchen, Boyd and Ingalls	To operate passenger service To operate passenger service, Bakersfield-Tupman lease	Granted Denied	Jan. 17, 1921 Jan. 17, 1921
8562	5684	O. E. Squier	Petition of applicant for rehearing	Denied	Jan. 19, 1921
8566	6493	C. J. Graham	To abandon service, Hanford-Lindsay	Granted	Jan. 19, 1921
8567	6339	A. E. Campbell	To operate freight service between Los Angeles and Blythe	Granted	Jan. 19, 1921
8568	6247	W. D. Greer	To operate passenger service, Bakersfield-Wasco	Granted	Jan. 20, 1921
8568	5922	W. D. Greer	Petition for rehearing by F. C. Jewett	Denied	Jan. 20, 1921
8570	6189	Inland Express	To operate freight service, Los Angeles-San Diego	Denied	Jan. 20, 1921
8573	6485	A. L. Prouty	To sell stage line to D. G. Anderson, Stockton-Clements	Granted	Jan. 20, 1921
8574	6455	J. Scott	To deviate from present route, Fresno-Sanger	Dismissed	Jan. 20, 1921
8575	6467	A. B. Watson	To detour from present route, Los Angeles-Santa Ana	Granted	Jan. 20, 1921
8576	6420	Motor Transit Company	To discontinue sale of joint tickets with Crown Stages	Granted	Jan. 20, 1921
8577	6463	Wheeler Bros.	To operate passenger service, St. Helena-Sanatarium	Granted	Jan. 26, 1921
8589	6505	Painter and Ahlman	To transfer stage line between Dos Palos and South Dos Palos	Granted	Jan. 26, 1921
8590	6503	Herman and Duncan and Rombauer	To transfer stage line, San Diego-Descano	Granted	Jan. 26, 1921
8598	6175, 6240	Hugh E. Buck, William Harper	To operate freight service, Acton-Lancaster-Los Angeles	Granted	Jan. 26, 1921
8601	6502	Hooper and Orvis	To transfer stage line, Los Angeles-Westgate	Granted	Jan. 26, 1921
8602	5914	Hamilton and Lusby	Amending original order with reference to serving intermediate points		Jan. 26, 1921
8608	3828	River Auto Stage Association	To operate passenger service, Sacramento-Rio Vista	Granted	Feb. 3, 1921
8609	6500	Stowe and Bock	To transfer stage line, Sacramento-Walnut Grove	Granted	Feb. 5, 1921
8610	6511	B. L. Halverson	To operate freight service, Modesto-La Grange	Granted	Feb. 5, 1921
8627	5751	Pickwick Stages, N. D.	To operate passenger service, Moorpark-Santa Paula	Granted	Feb. 21, 1921
8628	5772	W. P. Beauchamp	To operate passenger service, Centerville-San Jose	Denied	Feb. 21, 1921
8629	5795	R. B. Cregar	To operate passenger service, Riverside-San Jacinto	Granted	Feb. 21, 1921
8633	6281	Venable and Spencer	To operate freight service, Los Angeles-Downey	Granted	Feb. 21, 1921
8634	6337, 6396	Western Motor Transportation Company, Brown and Casson	To operate passenger service, Vallejo-Calistoga-Healdsburg	Granted Denied	Feb. 21, 1921
8635	6347	H. W. Moore	To operate freight service, Stockton-Oakdale	Denied	Feb. 21, 1921
8636	6373	P. O. Stein	To operate passenger service, Santa Maria-Santa Barbara	Denied	Feb. 21, 1921
8639	3679	San Francisco-San Jose Transportation Co.	Operative rights freight service, San Francisco-San Jose revoked		Feb. 21, 1921

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8642	6411	Smith and Ramsey	To operate passenger service, Susanville-Camp A	Granted	Feb. 21, 1921
8643	6473	Hatamoto and Gulick	Former to sell to latter Stockton and Byron	Granted	Feb. 21, 1921
8646	6549	W. E. Curran and King River Trans. Co.	Former to sell to latter Sanger Junction Camp	Granted	Feb. 21, 1921
8647	6551	Heaton and Langville	Former to sell to latter Chico-Hamilton	Granted	Feb. 21, 1921
8651	6469	W. L. R. Patterson	To operate passenger service, San Diego-Encanto	Granted	Feb. 21, 1921
8652	6542	Reddycoat and Ryning and J. Scott	Former to sell to latter, Fresno and San Joaquin Light and Power Company Camp 2	Granted	Feb. 21, 1921
8655	5711	Kenneth Fraser	To operate passenger service, Pasadena-Arroyo Seco	Denied	Feb. 21, 1921
	5923	E. G. Withal			
8657	6080	Staples and Gray	Petition of Neil Forrest for rehearing	Denied	Feb. 21, 1921
8659	6453	E. A. Burlingame	To operate passenger service, Inglewood-El Segundo	Granted	Mar. 1, 1921
8670	6230	E. T. Downs	To operate freight service, Oakland-Fresno	Denied	Mar. 1, 1921
8677	5960	E. C. Craig	Petition of Pickwick Stages, N. D., for rehearing	Denied	Mar. 2, 1921
8688	6550	Kings River Transportation Company	To detour from present route near Sanger	Granted	Mar. 3, 1921
8689	6538	B. and H. Transportation Company	To operate passenger service near Long Beach	Granted	Mar. 3, 1921
	6539				
8690	6581	Nevada-California Auto Stage Company	To operate passenger service between Tonopah and Big Pine	Granted	Mar. 3, 1921
8691	6446	M. B. Behrenz	To operate freight service, Sacramento-Elk Grove	Granted	Mar. 3, 1921
8698	6591	Chambers and Mullins	To transfer freight line, Burbank-Los Angeles	Granted	Mar. 4, 1921
8699	6599	Leonard, Broztman and Behrenz	To transfer freight line, Vallejo-Sacramento	Granted	Mar. 4, 1921
8700	6594	Bradley and Bradley	To transfer interest in passenger line, Oceanside-Pala		
8707	6445	C. M. Gaylord	To operate passenger freight service, Stockton-La Grange, Oakdale-Don Pedro	Granted	Mar. 4, 1921
	6469	D. L. Halverson			
	6494	R. R. Young			
8711	6596	Lake County Meat and Produce Co., C. F. Frederickson and Sons	To transfer stage line, Calistoga-Lower Lake	Granted	Mar. 5, 1921
8712	6595	Morse and Pedranto	To transfer stage ine, Point Reyes-Inverness	Granted	Mar. 5, 1921
8713	6391	W. M. Sanford et al	To operate stage line, Sacramento-Redding	Granted	Mar. 5, 1921
8714	6380	Robert Tenan et al	To operate passenger service, El Segundo-Redondo Beach	Granted	Mar. 7, 1921
8715	6095	Roy Jakeway	To transfer stage lines and issue stock, Los Angeles-Oceanside-San Diego	Granted	Mar. 8, 1921
	6095	R. Roy Whetstone			
	6096	Coast Truck Line			
8717	3828	River Auto Stage Association	Certificate stage line, Sacramento-Rio Vista	Granted	Mar. 9, 1921
8718	6307	Tibbetts and Hand	To operate passenger service, Kernville-Bakersfield	Granted	Mar. 9, 1921
8720	6368	Mutual Trucking and Transportation Co.	To sell stage line, Ventura-Los Angeles-Venice	Granted	Mar. 9, 1921
8722	5857	Sidwell Garage Company	To operate passenger service, Rio Vista-Isleton	Granted	Mar. 9, 1921
8725	6556	H. A. Cross	To operate freight service, San Jose-Big Basin	Granted	Mar. 10, 1921
8726	6324	Albert Caruso	To operate passenger service, Palo Alto-Woodside	Granted	Mar. 10, 1921
8727	6375	H. A. Chaffee	To transfer stage line, Los Angeles-Compton	Granted	Mar. 10, 1921
8730	6323	E. J. Ellison	To operate passenger service, Modesto	Granted	Mar. 10, 1921
8734	6161	G. Eppson, Western Motor Trans Co.	To transfer stage line, Albany-Richmond	Granted	Mar. 11, 1921

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TABLE B. Auto Stage Applications—Continued.

Dec. No.	Application No.	Applicants	Nature of proceeding	Action	Date
8739	6320	River Auto Stage Association	To transfer stage line, Sacramento-Rio Vista	Granted	Mar. 14, 1921
8740	6361	B. F. Simmons	To operate passenger service, Bakersfield-Oil Center	Granted	Mar. 14, 1921
8741	6309	Bergevin and Barrett	To transfer stage line, Markleeville-Fredericksburg	Granted	Mar. 14, 1921
8742	6312	Duncan and Kielhofer	To transfer stage line, Los Angeles-Lancaster	Granted	Mar. 14, 1921
8750	6543	O. R. Fuller	To transfer stage line, Los Angeles-Santa Ana	Granted	Mar. 15, 1921
8753	6445	C. N. Gaylord	To operate stage line between Turlock and Don Pedro Bar	Denied	Mar. 17, 1921
8758	6334	Ludekins and Rasmussen	To transfer stage line, Martinez-San Francisco	Granted	Mar. 17, 1921
8759	6339	Casenave Drayage Service Corporation	To transfer stage line, San Francisco-Oakland	Granted	Mar. 17, 1921
8760	6544	C. J. Crosby	To operate passenger service, Huntington Beach-Anaheim	Granted	Mar. 17, 1921
8765	5802	Murray and Wilson	Certificate revoked due to abandonment of service		Mar. 17, 1921
8782	6379	John A. Dugan	To operate passenger service, Camino-Placerville	Granted	Mar. 22, 1921
8788	6423	Paul Gatto	To operate freight service, Montague-Etna Mills	Denied	Mar. 28, 1921
8793	6631	W. G. James	To operate passenger service, Bakersfield-Headquarters Camp	Granted	Mar. 28, 1921
8794	6351	Speckter and Nicolett	To transfer stage line, Monte Rio-Santa Rosa	Granted	Mar. 28, 1921
8800	6435	H. P. Gordon	To operate passenger service, Madera-Friant	Denied	Mar. 28, 1921
8803	6556	H. A. Cross	Amending original order to permit carrying of local passengers		Mar. 28, 1921
8816	5163	Star Auto Stage Association	Protestants' petition for rehearing denied		April 1, 1921
8823	6567	F. L. Blane	To transfer stage line, San Diego-Julian	Granted	April 8, 1921
8828	6334	Western Motor Transport	To transfer operative rights, Oakland-Centerville	Granted	April 8, 1921
8829	6371	River Express Co and Overland Trans. Co.	To transfer operative rights, Oakland-Stockton	Granted	April 8, 1921
8830	6701	Lloyd and Jaqua	To transfer operative rights, San Luis Obispo-Santa Maria	Granted	April 8, 1921
8840	6516	Newton and Ayers	To operate stage line, Gilroy-San Francisco	Granted	April 9, 1921
8844	6464	Harter and Nelson	To operate stage line, Monterey-Castroville	Granted	April 9, 1921
8850	6711	Sprehn and Nutty	To transfer stage line, Los Angeles-Huntington Beach	Granted	April 12, 1921
8851	6719	Peterson and Allen	To operate passenger service, Albion-Fort Bragg	Granted	April 12, 1921
8855	6518	Wm. Giminianni	To operate passenger service, Bakersfield-Buttonwillow	Granted	April 14, 1921
8859	6515	S. H. Dunbar et al	To operate passenger service, Niles-Warm Springs	Granted	April 14, 1921
8860	6162	K. F. Beyerle	To operate passenger service, Anaheim-Corona	Granted	April 14, 1921
8868	6491	Smith and Grant	To operate freight service, Los Angeles-Newport Beach	Granted	April 16, 1921
8869	6433	Walling and Valley Transit Company	To transfer stage line, Fresno-Bakersfield	Granted	April 16, 1921
8870	6724	Varro Motor Transit Company	To transfer stage line, Los Angeles-Norwalk	Granted	April 16, 1921
8871	6729	Hy Nelson	To transfer stage line, Willits-Garberville	Granted	April 16, 1921
8872	6584	O. L. McKiennan	To operate passenger and freight service, Porterville-Springville	Granted	April 16, 1921
8873	6632	R. B. Cregar	To operate passenger service, Oak Cliff-Idylwild	Granted	April 16, 1921
8875	6563	Frank Grant	To operate freight service, Los Angeles-Santa Ana	Denied	April 16, 1921

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8876	6579	Frank Watson	To operate freight service, Venice-Los Angeles	Denied	April 16, 1921
8877	5899	Compton Transportation Company	To operate passenger service, Huntington Park-Pasadena	Denied	April 16, 1921
8884	6713	Venable and Spencer	To transfer stage line, Los Angeles-Norwalk	Granted	April 19, 1921
8886	6299	Fuller Motor Transit Company	To transfer stage line, San Bernardino	Granted	April 20, 1921
8887	6161	G. Eppsom	Petition of protestants for rehearing denied		April 20, 1921
8889	6363	A. R. Miller	To operate freight service, Fresno-Visalia	Granted	April 20, 1921
8892	6476	W. M. Huffman	To operate freight service, Turlock-Oakland	Granted	April 20, 1921
8895	6494	R. R. Young	Supplemental order restricting operation as to intermediate points		April 26, 1921
8908	6530	J. F. Rhodes	To operate freight and passenger service, Turlock-Stevenson	Denied	May 2, 1921
8909	6575	Light and Wixon	To operate passenger service, Turlock-Newman	Granted	May 2, 1921
8922	6535	Hodge, Mershon and Rose	To operate freight service, Fresno-San Francisco	Denied	May 3, 1921
8923	6354	Haley and Mahoney	To operate passenger service, San Francisco-Pacific Grove	Denied	May 3, 1921
8931	6569	S. B. Cowan	To operate freight service, Los Angeles-Santa Ana	Denied	May 3, 1921
8941	6188	K. F. Beyerle	To operate passenger service, Murrietta Hot Springs	Granted	May 6, 1921
8942	6531	J. D. Godfrey	To operate freight service, Santa Ana-Arch Beach	Denied	May 6, 1921
8945	6561	B. F. Simmons	To discontinue passenger service, Bakersfield-Oil Center	Granted	May 6, 1921
8947	6745	Boynton and Cochran	To transfer freight line, Boulevard-San Diego	Granted	May 6, 1921
8964	6118	Heise, Barda and Schang	To operate passenger service, Albany-Richmond	Denied	May 12, 1921
8965	6416 6428	Welton and Snyder Boutell and Fuga	To operate freight service, Los Angeles-Beaumont-Mecca	Granted	May 12, 1921
8966	6487	A. W. Burham	To operate freight service, Manteca-Oakland	Granted	May 12, 1921
8967	6498	A. L. Phillips	To operate freight service, Sacramento-Wheatland	Granted	May 12, 1921
8968	6504	Rapid Transit Company of Pasadena	To operate passenger service, Santa Monica-Topango Camp	Granted	May 12, 1921
8969	6517	Union Transfer and Storage Company	To operate freight service, Santa Monica-Los Angeles	Granted	May 12, 1921
8970	6546	Becker and Bernstein	To operate freight service, Corona-Los Angeles	Denied	May 12, 1921
8982	6051	Western Motor Transportation Company	To abandon service, Los Banos-Tracy	Granted	May 20, 1921
8983	6800	Barlow and Oldham	To transfer stage line, Arcadia-Los Angeles	Granted	May 20, 1921
8984	6823	John H. Dolan	Authorized to discontinue service, Concord-Avon	Granted	May 21, 1921
8986	6386	Neland-Blythe Transportation Company	To operate freight service, Neland-Blythe	Denied	May 21, 1921
8993	6274 6648 6319	R. A. McMinn A. E. Campbell	To operate freight service, Imperial Valley points	Denied	May 21, 1921
8994	6775	Western Motor Transport Company, Dunham and Birch	To transfer permits, Napa-Healdsburg	Granted	May 21, 1921
9010	4799	C. N. Gaylord	Due to failure of applicant to file rates, permit cancelled		May 26, 1921
9011	6161	G. Eppson	Time to effect transfer extended		May 26, 1921
9025	6796	H. A. Webb and Wm. Allen	To transfer passenger stage line, Santa Maria-Orcutt	Granted	May 25, 1921
9027	6356 6321	Geo. J. Bennett Johnson vs. Bennett	Certificate freight service, Cloverdale-Geyserville and illegal operation	Granted	May 28, 1921
------	C1527	Johnson and Johnson	------	Case dismissed.	

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TABLE C. Dismissals (Cases).

Dec. No.	Case No.	Litigants	Date
8332	1483	Overholtzer and Garfield vs. C. E. Garner	Nov. 15, 1920
8345	1449	R. E. Williams et al. vs. Bass and Smith	Nov. 15, 1920
8390	1446	W. W. Kaye vs. Electric Water Company	Nov. 27, 1920
8411	1500	Motor Transit Company vs. Wayne Waldrip et al	Dec. 2, 1920
8436	1508	White Lines vs. Manteca Transfer Company	Dec. 14, 1920
8441	1511	G. V. Pettigrew vs. Pacific Telephone and Telegraph Company	Dec. 15, 1920
8458	1202	re Star Auto Stage Line	Dec. 20, 1920
8519	1484	J. E. Rickman et al. vs. Southern California Edison Company	Jan. 6, 1921
8535	1441	Town of Walnut Creek vs. M. E. Lacassie	Jan. 28, 1921
8702	1279	County of San Diego vs. Atchison, Topeka and Santa Fe Railway Co.	Mar. 4, 1921
8744	1539	L. M. Edwards vs. Southern California Telephone Company	Mar. 14, 1921
8797	1525	Wm. D. Stephens vs. C. H. Hart	Mar. 28, 1921
8798	1543	White Lines vs. J. M. Lampley	Mar. 28, 1921
8799	1545	J. L. Smith vs. Van Nuys Water System	Mar. 28, 1921
8919	1058	Navarro Lumber Company vs. Albion Lumber Company	May 2, 1921
8988	1582	Cuyamaca Water Company vs. San Diego Consol. Gas and Electric Co.	May 21, 1921
9009	1549	Larsen Lumber and Box Company vs. Southern Pacific Company	May 26, 1921

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TABLE D. Dismissals (Applications).

Dec. No.	Application No.	Applicants	Nature of proceedings	Date
8309	6176	A. B. Bland	To increase stage rates	Nov. 5, 1920
8328	5860	W. R. Williams	To operate stage service	Nov. 15, 1920
8330	5509	Overholtzer and Garfield	To operate stage service	Nov. 15, 1920
8333	5911	Teaford and Robb	To operate stage service	Nov. 15, 1920
8335	5072	Humboldt Transit Company	To increase passenger rates	Nov. 15, 1920
8337	5245	Humboldt Transit Company	To abrogate franchise tax	Nov. 15, 1920
8353	6112	Claude Willis	To operate stage service	Nov. 22, 1920
8355	5906	Hamilton and Wilson	To operate stage service	Nov. 22, 1920
8360	5562	Greger and George Company	To operate stage service	Nov. 24, 1920
8365	6270	Ed. Martin	To operate stage service	Nov. 26, 1920
8397	6192	Southern Counties Gas Company	To issue bonds	Nov. 27, 1920
8412	6330	Davis-Morrison-Glidden	To transfer stage line	Dec. 2, 1920
8415	6275	American Railway Association	To increase demurrage rates	Dec. 6, 1920
8425	6139	C. C. Newton	To operate stage service	Dec. 8, 1920
8430	5780	Held and Simmonds	To file tariffs	Dec. 8, 1920
8437	6276	Pacific Car Demurrage Bureau	To increase demurrage rates	Dec. 14, 1920
8438	5909	County of Butte	To construct grade crossing	Dec. 14, 1920
8439	6122	Sugar Pine Railway Company	To abandon siding	Dec. 15, 1920
8440	6123	Sugar Pine Railway Company	To increase rates	Dec. 15, 1920
8242	5514	W. A. Prentice	To operate stage service	Dec. 15, 1920
8457	5620	Granite Rock Water Company	To increase rates	Dec. 20, 1920
8458	5163	Star Auto Stage Company	Petition for rehearing	Dec. 20, 1920
8479	6191	Pacific Gas and Electric Company	For approval of lease agreement	Dec. 20, 1920
8483	5994	Petaluma and Sonoma Valley Transit Company	To operate stage service	Dec. 22, 1920
8486	5963	City of Brea	To increase water rates	Dec. 22, 1920
8507	6237	Riverside Daily Express Company	To operate stage service	Jan. 3, 1921
8508	6279	J. A. Van Horn	To operate stage service	Jan. 3, 1921
8509	6149	Albert M. Cox et al	To operate stage service	Jan. 3, 1921
8510	6319	F. E. Raeweler	To operate stage service	Jan. 3, 1921
8518	4547	Cooperative Stage Co.	To operate stage service	Jan. 3, 1921
8521	6190	Liberty Bus Line	To discontinue service	Jan. 7, 1921
8522	5803	Napa Milling Company	To increase warehouse rates	Jan. 7, 1921
8529	2721	Pacific Pipe Line Company	To issue stock	Jan. 8, 1921
8535	6323	L. R. Prather	To operate stage line	Jan. 11, 1921
8536	5870	Imperial Valley Gas Company	To sell properties	Jan. 11, 1921
8540	5178	Pacific Gas and Electric Company	To abandon pipe line	Jan. 13, 1921

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8565	3930	Town of Walnut Creek	For valuation water plant	Jan. 10, 1921
8583	6369	United Parcel Service	To increase rates	Jan. 25, 1921
8648	6329	R. H. Murray	To operate stage service	Feb. 21, 1921
8649	6384	Harker and Fonts	To transfer water plant	Feb. 21, 1921
8653	6529	Kitchen, Boyd and Ingalls	To operate stage service	Feb. 21, 1921
8672	6408	Newman and Proper	To operate stage service	Mar. 1, 1921
8673	5677	County of Tulare	To construct grade crossing	Mar. 1, 1921
8674	6294	Western Motor Transportation Company	To operate stage service	Mar. 1, 1921
8675	5381	Antelope Creek and Red Bluff Water Company	To issue notes	Mar. 1, 1921
8719	6439	M. Haydes	To transfer stage line	Mar. 9, 1921
8735	2992	United Railroads of San Francisco	To construct crossing	Mar. 11, 1921
8767	5523	Walnut Creek Water Company	To abandon service	Mar. 17, 1921
8768	6440 6443	P. O. Stein	To operate stage line	Jan. 11, 1921
8773	6236	Feist and Degnan	To operate water system	Mar. 21, 1921
8774	6237	Feist and Stryker	To operate water system	Mar. 21, 1921
8795	5990	Union Home Telephone and Telegraph Company	To discontinue installations at flat rates	Mar. 28, 1921
8796	6555	San Bernardino Home Telephone and Telegraph Company	To discontinue service at Patton	Mar. 28, 1921
8804	6592	Johnson and Stavers	To sell water plant	Mar. 28, 1921
8809	5832	Victor Sauvee	To increase rates	Mar. 31, 1921
8831	6171	Elk Grove Mutual Telephone Association	To increase rates	April 8, 1921
8832	6627	Paul Van Clief	To operate stage service	April 8, 1921
8833	6383	Kevorhian and Tatarian	To transfer stage line	April 8, 1921
8879	6573	Palermo Land and Water Company	To increase rates	April 16, 1921
8882	6528	Whetstine and Boynton	To transfer stage line	April 19, 1921
8883	6328	Lord, Ray and Turman	To operate stage service	April 19, 1921
8917	6203	Mountain Express	To operate stage service	May 2, 1921
8918	6597	Kendrick and Inck	To operate stage service	May 2, 1921
8920	6121	Andros and Ives	To operate stage service	May 2, 1921
8950	6193	Service Motor Transport Company	To operate stage service	May 6, 1921
8957	6698	McFarland, Raser and Deeble	To operate stage service	May 9, 1921
8975	3487	City of Glendale	Valuation gas system	May 14, 1921
8976	6333	Globe Warehouse Company	To increase rates	May 14, 1921
8987	6039	Pressey and Greator	To operate stage line	May 21, 1921
9000	6524	A. B. Bland	To operate stage line	May 21, 1921
9001	6757	Rice Transportation Company	To issue stock	May 21, 1921
9016	6797	Port Costa Water Company	To issue notes	May 26, 1921

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TABLE E. Grade Crossings.

Decision number.	Application number.	Applicant	Location	Action	Date
8306	6239	Southern Pacific Company	Oakland	Granted	Nov. 5, 1920
8321	6259	Southern Pacific Company	Vernon	Granted	Nov. 8, 1920
8322	6256	Southern Pacific Company	Glendale	Granted	Nov. 8, 1920
8334	6277	Southern Pacific Company	Oakland	Granted	Nov. 5, 1920
8346	6221	County of Tulare	Alpaugh	Granted	Nov. 15, 1920
8347	6300	Southern Pacific Company	Riz	Granted	Nov. 15, 1920
8349	6008	Atchison, Topeka and Santa Fe Railway	Fresno	Granted	Nov. 17, 1920
8350	6250	City of Reedley	Reedley	Granted	Nov. 17, 1920
8357	5886	Pacific Electric Railway	Long Beach	Granted	Nov. 22, 1920
8382	6133	Central California Traction Company	Lodi	Granted	Nov. 23, 1920
8387	6317	Pacific Electric Railway	Los Angeles	Granted	Nov. 27, 1920
8393	6156	Pacific Electric Railway	Hollywood	Granted	Nov. 17, 1920
8417	6357	Southern Pacific Company	Calexico	Granted	Dec. 8, 1920
8426	6343	Pacific Electric Railway	Huntington Beach	Granted	Dec. 8, 1920
8451	6280	Pacific Electric Railway	Maxon	Granted	Dec. 20, 1920
8456	6382	County of Merced	Yam Road	Granted	Dec. 20, 1920
8461	5775	County of Fresno	Bishop Ave.	Granted	Dec. 20, 1920
8468	6161	County of Fresno	Fresno	Granted	Dec. 20, 1920
8481	6404	Atchison, Topeka and Santa Fe Railway	Stockton	Granted	Dec. 21, 1920
8531	6151	Pacific Electric Railway	Long Beach	Granted	Jan. 10, 1921
8538	5701	County of Ventura	Fillmore	Granted	Jan. 12, 1921
8541	6477	Southern Pacific Company	Anaheim	Granted	Jan. 13, 1921
8543	6382	County of Merced	Yam Road	[1]	Jan. 15, 1921
8544	3220	County of Alameda	Pleasanton	[2]	Jan. 15, 1921
8549	6041	County of Tehama	Tehama	Granted	Jan. 17, 1921
8581	6497	Pacific Electric Railway	Los Angeles	Granted	Jan. 24, 1921
8592	5181	County of San Joaquin	Tulare Road	[3]	Jan. 24, 1921
8595	6119	County of San Joaquin	Escalon	Granted	Jan. 26, 1921
8610	5579	State of California	Jacumba	Granted	Jan. 26, 1921
8803	5017	County of Los Angeles	Domingues	Denied	Feb. 3, 1921
8617	6509	Atchison, Topeka and Santa Fe Railway	Visalia	Granted	Feb. 3, 1921
8630	6022	County of Fresno	Fresno	Granted	Feb. 21, 1921
8631	6222	County of Shasta	Anderson	Granted	Feb. 21, 1921
8632	6261	County of Siskiyou	Klamath	Granted	Feb. 21, 1921
8641	6410	County of Los Angeles	Laguna Beach	Granted	Feb. 21, 1921
8644	6520	Southern Pacific Company	Clovis	Granted	Feb. 21, 1921
8645	6546	Southern Pacific Company	Burbank	Granted	Feb. 21, 1921
8654	6521	Southern Pacific Company	Calexico	Granted	Feb. 21, 1921
8656	6073	County of Riverside	Mecca	Denied	Feb. 21, 1921
8660	6353	County of Kern	Fellows	Granted	Feb. 21, 1921
8661	6348	County of Kern	Gloster	Granted	Feb. 21, 1921
8662	6352	County of Kern	McKittrick	Granted	Feb. 21, 1921
8664	6213	County of Kern	Magunden	Granted	Feb. 21, 1921
8665	6321	County of Kern	Shafter	Granted	Feb. 21, 1921
8666	6312	County of Kern	Famoso	Granted	Feb. 21, 1921
8686	6586	Southern Pacific Company	San Francisco	Granted	Mar. 3, 1921
8687	6565	County of Merced	Merced	Granted	Mar. 3, 1921
8701	6359	County of Tulare	Naranjo	Granted	Mar. 4, 1921
8703	6578	State of California	Arnold	Granted	Mar. 4, 1921
8728	6118	County of Fresno	Clovis Ave.	Granted	Mar. 10, 1921
8762	6360	County of Tulare	Corcoran	Granted	Mar. 17, 1921
8765	1973	Southern Pacific Company	Clotho	[4]	Mar. 17, 1921
8775	6474	Atchison, Topeka and Santa Fe	Nadeau Park	Granted	Mar. 21, 1921
8821	6548	City of Stockton	Stockton	Granted	April 8, 1921
8823	6576	County of Tulare	Pixley	Granted	April 8, 1921
8824	6310	Atchison, Topeka and Santa Fe	Los Angeles	Granted	April 8, 1921
8827	6359	Southern Pacific Company	Santa Barbara	Granted	April 8, 1921

[1] Apportioning expense of automatic flagman.
[2] Reducing grades of approach.
[3] Prior order requiring closing of adjacent crossing amended.
[4] Correcting error in location.

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Decision number	Application number	Applicant	Location	Action	Date
8881	6615	County of Butte	Chico	Granted	April 19, 1921
8888	6358	County of Tulare	Naranjo	Granted	April 20, 1921
8906	6751	Atchison, Topeka and Santa Fe Railway	Merced	Granted	May 2, 1921
8907	6752	Atchison, Topeka and Santa Fe Railway	Calwa	Granted	May 2, 1921
8915	6633	County of San Joaquin	Lathrop	Granted	May 2, 1921
8916	6777	Southern Pacific Company	El Centro	Granted	May 2, 1921
8927	6726	Atchison, Topeka and Santa Fe Railway	Bakersfield	Granted	May 3, 1921
8928	6750	Atchison, Topeka and Santa Fe Railway	Emeryville	Granted	May 3, 1921
8943	6590	State of California	Westhaven	Granted	May 6, 1921
8944	6523	County of Merced	Delhi	Granted	May 6, 1921
8946	6367	Atchison, Topeka and Santa Fe Railway	Calwa	Granted	May 6, 1921
8949	6360	County of Tulare	Corcoran	Amendm't	May 6, 1921
8952	6728	County of Imperial	Westmoreland	Granted	May 7, 1921
8953	6790	San Francisco-Sacramento Railroad Co.	Walnut Creek	Granted	May 7, 1921
8954	6756	Pacific Electric Railway	Los Angeles	Granted	May 7, 1921
8955	6679	County of San Bernardino	Troy	Granted	May 7, 1921
8931	6753	Atchison, Topeka and Santa Fe Railway	Pittsburg	Granted	May 12, 1921
8978	6806	State of California	Fredonia	Granted	May 16, 1921
8992	6195	County of Imperial	Boundary	Granted	May 21, 1921
8995	6820	Southern Pacific Company	Lodi	Granted	May 21, 1921

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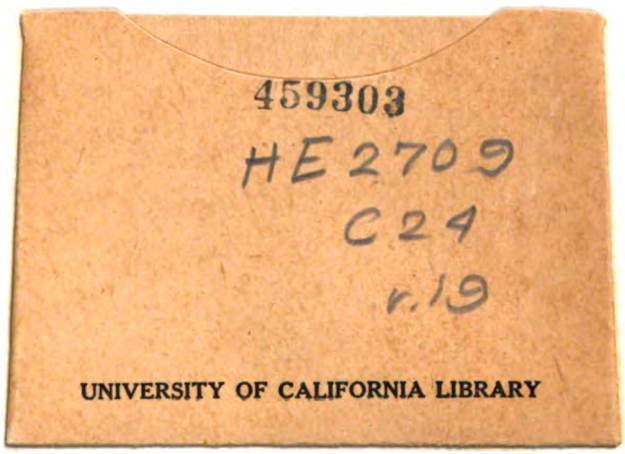
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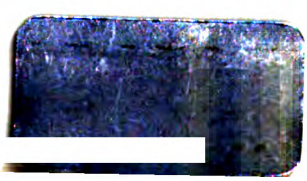

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